

FOREIGN AFFAIRS

JULY/AUGUST 1998



The Politics of Peace Paralysis

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Arafat's Fading Center

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Algeria's Army, Algeria's Agony

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Trouble in East Asia

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Nicholas Lardy and Neil Hughes on

China's Economic Future

COMMEMORATIVE SECTION

The Berlin Airlift and the City's Future

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FOREIGN AFFAIRS



JULY/AUGUST 1998
VOLUME 77, NUMBER 4

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The articles in Foreign Affairs do not represent any consensus of beliefs. We do not expect that readers will sympathize with all the sentiments they find here, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries Foreign Affairs can do more to inform American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. We do not accept responsibility for the views expressed in any article, signed or unsigned, that appears in these pages. What we do accept is the responsibility for giving them a chance to appear.

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SUBSCRIPTIONS: Price for subscriptions, U.S., \$44.00, Canada \$54.00, other countries via air \$79.00 per year. To subscribe, write *Foreign Affairs*, P.O. Box 420235, Palm Coast, FL 32142-0235. To resolve subscription problems, call (800) 829-5539.

Replacement copies are available to subscribers at no charge until the next issue is published. Thereafter, back

issues are \$12.00 each. GST number 127686483RT.

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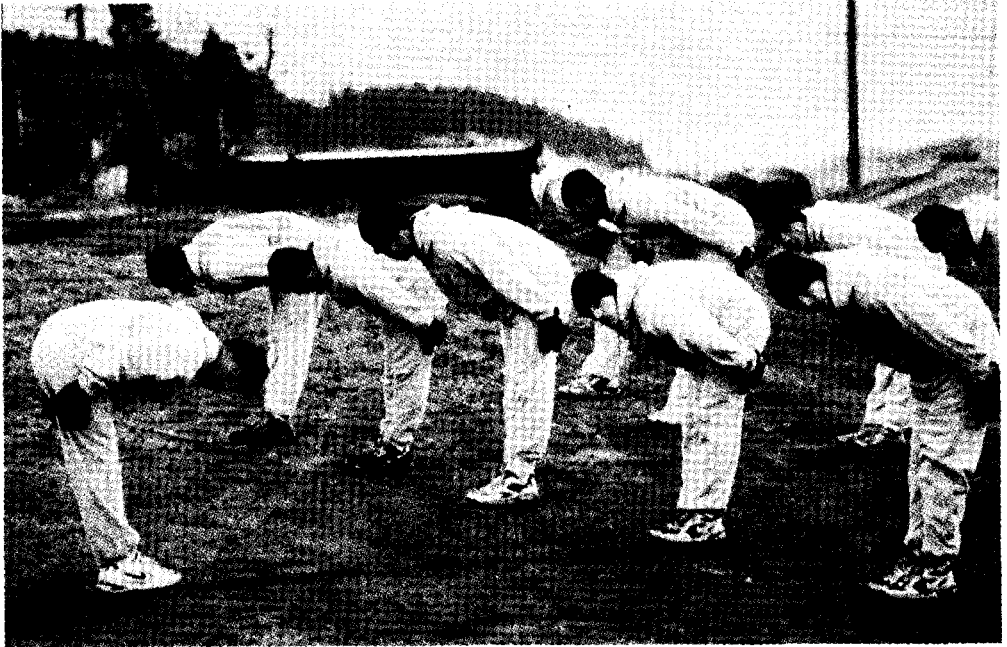
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Comments



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U.S. soldiers doing calisthenics in Japan, 1996

The U.S. military's presence in Japan should fade with this century's end.

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Are U.S. Troops in Japan Needed?

Reforming the Alliance

Morihiro Hosokawa

The gulf separating American and Japanese perceptions of the U.S. troops stationed in Japan could jeopardize the alliance between these two important countries. Many Americans see the presence of U.S. troops in Japan as a gracious favor meant to underpin Japan's security. Most Japanese, while fond of the alliance with the United States, would like to see fewer U.S. troops on their soil. A May 1996 opinion poll in *Asahi Shimbun* found that 70 percent of the Japanese people supported the alliance with the United States while 67 percent favored a reduction in the number of U.S. military bases. This discriminating public preference is reasonable in today's Asia.

The U.S.-Japan Security Treaty was signed during the Korean War in 1951 at the same time as the San Francisco Peace Treaty, which formally ended the Allied occupation of Japan. The security treaty enabled U.S. troops to remain in Japan and opened Japanese facilities as a staging area and logistics base for American forces in the war being waged on the Korean peninsula. U.S. military bases in

Japan were seen as essential to containing communist expansion, especially since the Soviet Union, China, and North Korea were considered a monolithic threat.

Today the international environment has changed as dramatically in East Asia as in Europe. The United States and its allies are no longer squared off against the Soviet Union. Indeed, the Soviet Union is no more. Since its collapse, Russian forces in East Asia have become hollow. A comparison of Japan's 1989 and 1997 white paper on defense shows a more than 50 percent reduction in the number of personnel, surface combat ships, submarines, and warplanes in Asia. Most of Russia's warships are rusting in port, leaving only a few submarines and surface ships in the Pacific fleet operational. According to Japanese military analysts, Russian air force pilots fly no more than 20 to 30 hours of training time a year, making the most basic skills difficult to maintain. In Japan, fighter pilots train a minimum of 150 hours a year.

A clear reversal of fortune on the Korean peninsula between the South

MORIHIRO HOSOKAWA was Prime Minister of Japan from 1992 to 1993.

Are U.S. Troops in Japan Needed?

and the North also signals a drastic change in the strategic map of northeast Asia. While the industries of the north were destroyed during the Korean War, much of the infrastructure survived; with assistance from the Soviet Union and its Eastern European satellites, North Korean industry substantially recovered. South Korea's industrialization, on the other hand, began only after 1965, when the Basic Treaty between Japan and South Korea opened the way for Japanese capital and technology. During the 1970s, the North was still widely thought superior to the South in industrial and military strength.

Today the situation is reversed. South Korea's GNP is at least 20 times that of the North, and its population of 45 million is twice as large. South Korea's strength relative to its northern neighbor resembles the United States' relative to Mexico. South Korea was recognized by Russia in 1990 and by China two years later. It now has trade relations with both countries, while the North is on the brink of economic collapse. Their economic condition is naturally reflected in their respective military strengths.

Japanese specialists estimate that Pyongyang has about 100 modern war-planes, although they get little flying time due to shortages of fuel and spare parts. Seoul has 400 modern fighter planes, tanks, attack helicopters, and antitank missiles. The South's edge is clear. If, however, Pyongyang chooses to act irrationally by launching a desperate attack, no amount of military power can deter it. Deterrence assumes reasonable judgment by the enemy. One way to lessen the likelihood of a senseless strike is to avoid cornering North Korea's leaders and thus driving them into desperation.

Chinese military power has also diminished considerably. The number of combat aircraft has fallen to 3,700 from 5,400 ten years ago. China's submarines have dwindled from 100 to 60, and only three are modern designs recently imported from Russia. Most of their 50 or so surface ships are outdated. Given China's current financial problems, the Chinese army can modernize only gradually.

Some suggest that while the Chinese forces are being reduced in size, its quality, and therefore its combat strength, is on the rise. Be that as it may, military power is relative. Across the strait, Taiwan is receiving 340 state-of-the-art fighter planes, including 150 F-16s. The defense forces of South Korea and Japan are also modernizing, while maintaining their present force levels. Their advantage is likely to continue for the foreseeable future.

THANKS, BUT NO THANKS

Washington justifies the privileges it has enjoyed since World War II by warning the Japanese about what it wrongly claims is an increase in Chinese military power and the threat posed by Nodon 1, North Korea's 600-mile-range missile. Simultaneously, it appeals to its own citizens and other Asian nations by claiming that American troops forestall any Japanese inclination to remilitarize. These arguments no longer acknowledge Asia's reality. Like other advanced countries, from the nineteenth to the mid-twentieth century, Japan committed the blunder of taking overseas territory through conquest. It paid dearly for this in World War II, but that precipitated changes that led to Japan's prosperity today. The other Asian nations, no longer inhibited by their colonial masters, have

turned out to be good trading partners. Japan has no reason to change the status quo. Neither my former parliamentary colleagues nor any bureaucrats or military officers advocate outmoded ideas of expansionism.

It is egotistical for Americans to believe that the United States has done Japan a favor by defending it all these years by stationing its forces within the country. U.S. forces in Japan numbered 260,000 during the 1950s, 47,000 in 1990, and today stand at 37,000. Whenever more American soldiers leave, the Japanese see it as more good news.

The U.S. army stations only 1,500 personnel on Japan's main islands, primarily for supply and communications duties. Japan's land defense is left to its own forces, which include more than 1,000 tanks and 150,000 soldiers. From Tokyo's point of view, American forces have not really stood in harm's way. U.S. ground forces in Japan consist of only 14,000 marines based on Okinawa, one of the islands least vulnerable to Soviet attack during the Cold War. The Japanese are aware that the marines are standing by for possible deployment elsewhere in the region, namely the western Pacific and the Indian Ocean.

Since 1959 Japan's air defense has been entrusted to its own air force, which today has a powerful fighter fleet of 200 F-15Js and 100 improved F-4Es as well as 13 early airborne warning aircrafts and 26 Patriot air defense batteries. In addition, the ground self-defense force has a large number of medium- and short-range surface-to-air missiles. The U.S. Air Force's 54 F-15s, which are intended mainly for the defense of Korean air space, are safely tucked away on Okinawa.

For more than half a century the U.S. Navy's unchallenged superiority has benefited many countries by ensuring unmolested maritime traffic for all commercial shipping. The U.S. Navy has not, however, had the responsibility for protecting the Japanese commercial fleet. The defense of Japan's maritime commercial lanes was assigned to its maritime force, which today has nearly 60 escort ships, 16 submarines, and 100 P-3C patrol aircraft.

From the Cold War until today, the U.S. Navy has contributed indirectly to the prosperity and defense of Japan. The navy stations the Seventh Fleet flagship, a communications ship, an aircraft carrier and its nine escort ships at the Yokosuka port in Tokyo bay, and six other ships, including four amphibious vessels, at the Sasebo naval base on western Kyushu. But these warships were not exclusively for Japan's defense. They have been deployed in the western Pacific, the Indian Ocean, and the Persian Gulf. Before 1990, however, it was clear that had the Soviet Union attempted to invade Japan, several U.S. aircraft carriers would have moved into Japanese waters and interdicted Soviet sea routes.

NUCLEAR NECESSITY

Nuclear deterrence is a different story. Both Russia and China, while weak in conventional military power, hold enough nuclear missiles to destroy Japan. It is legitimate to ask how Japan would counter nuclear blackmail. Tokyo, which accepted unconditionally the permanent extension of the Nuclear Nonproliferation Treaty in 1995 and renounced development of its own nuclear deterrent, has no choice but to depend on the nuclear umbrella of an

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ally. It is in the interest of the United States, so long as it does not wish to see Japan withdraw from the NPT and develop its own nuclear deterrent, to maintain its alliance with Japan and continue to provide a nuclear umbrella. The United States is aware that Japan is its largest creditor, with a GDP close to 70 percent of its own. Moreover, it is no small advantage to U.S. foreign policy to maintain an alliance with a country that has a strong economic influence in Asia.

From Japan's perspective, friendly relations with the United States, the only remaining military superpower, are vital. Even if all common threats disappeared in the next century, the alliance would still be in Japan's interest. In line with this reasoning, if the U.S. Navy returns the two naval bases at Yokosuka and Sasebo to Japan, it should still be able to use Japanese ports and maintain its sea power in the western Pacific.

A DARKENING CLOUD

As the common threat presented by the Cold War diminishes, it is natural for the Japanese people to be skeptical of the U.S. military presence. The American military bases cost Japan \$4 billion annually. If forgone rent and other revenues are included, Japan's annual burden jumps to \$5 billion, at a time when the Japanese government faces a serious financial crisis. In terms of cost-sharing, Japan bears the largest burden among U.S. allies for maintaining U.S. forces, with Germany and South Korea paying \$60 million and \$290 million, respectively. By a 1995 Special Measures Agreement, Japan is committed through the year 2000 to pay the salaries of 24,000 civilian employees at the bases, the utility costs, including energy, water, and commu-

nications, and most of the construction expenses. This burden to Japanese taxpayers hangs like a darkening cloud over the future of the alliance. Japan should honor the 1995 agreement but put America on notice that it will not renew the agreement in 2000.

It is the business of statesmen, not bureaucrats or generals, to plan for the future. The U.S. military presence in Japan should fade with this century's end. The time has come for the leaders of Japan and the United States to discuss an alliance fit for the next century. ☪

Preventing War in the Taiwan Strait

Restraining Taiwan — and Beijing

Chas. W. Freeman, Jr.

Two and a half years ago China and the United States stumbled into a military confrontation that neither had sought or anticipated. The March 1996 face-off between U.S. aircraft carriers and Chinese warships and land-based missiles seems in retrospect, however, to have had some salutary effects. The crisis reminded both countries of the stake each has in successful management of relations with the other and of the continuing centrality of Taiwan's status to this task.

Since then, the two governments have worked hard to establish a respectful dialogue about a range of bilateral and international issues. Summits and other high-level meetings are once again a regular feature of Sino-American diplomacy, and there have been no further military confrontations in the Taiwan area. Last fall, when he met with his Chinese counterpart, Jiang Zemin, President Bill Clinton urged the earliest possible resumption

of dialogue between Beijing and Taipei. Recently, after three years of posturing to blame each other for the rupture in dialogue, Beijing and Taipei began to trade concrete proposals about how to meet and what issues to take up when they do.

Until President Lee Teng-hui's visit to the United States in June 1995, Taiwan and the Chinese mainland had been moving toward mutual accommodation through informal economic and cultural exchanges and dialogue. On both sides of the strait there was a consensus on the ideal of "one China" and the imperative of realizing it through some form of reunification. This consensus, endorsed by the United States, kept the peace and fostered an atmosphere conducive to negotiation. The consensus has now collapsed. Taiwan seems convinced it can campaign for independence with the military backing of the United States. If war is to be prevented, Washington

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Preventing War in the Taiwan Strait

must convince Taipei as well as Beijing that it is time for them to work out a mutually acceptable relationship, and that no unilateral change in the status quo—precipitated by either side—is acceptable.

LESSONS LEARNED

President Clinton's skillfully executed decision to deploy two aircraft carriers was aimed at reassuring the United States' Asian friends and allies that it remains committed to maintaining peace. It underscored the U.S. interest in resolving the Taiwan question by peaceful rather than violent means. The deployment achieved both objectives. The major lesson most American observers, including most members of Congress, have drawn from the crisis is, however, that the prospect of U.S. military intervention can deter a Chinese attack on Taiwan.

Beijing reached a different conclusion. China's leaders have always said they would go to war to prevent the permanent division of China. They now believe that they are likely to have to do so. China's armed forces have begun a decade-long effort to acquire the capabilities and do the planning required to have a serious chance of overwhelming Taiwan's formidable defenses. If a demonstrated ability to do this proves insufficient to dissuade Taiwan from separation, China's armed forces expect to receive an order to invade the island, notwithstanding the risk of conflict with the United States.

In Taiwan, the People's Liberation Army (PLA) shows of force that followed Lee's visit to the United States stimulated fear and dislike of the PRC and accelerated the demise of popular support for reunification. As military tensions rose, however, many on the island began to reconsider

how to accommodate mainland China. The sudden arrival of U.S. aircraft carriers during the sixth round of PLA maneuvers halted any further consideration of conciliatory moves toward Beijing. It convinced the leaders of Taiwan's ruling and opposition parties that they could count on U.S. intervention to shield them from PRC military threats. The Clinton administration has attempted to shake this conviction through quiet dialogue with Taipei, but Taiwanese leaders put much more credence in the unqualified public statements of support they hear from majorities in both houses of Congress. Taiwan's leaders make no secret of their belief that, whatever the cause of a crisis in the Taiwan Strait, congressional pressure would quickly overwhelm a reluctant administration.

Taiwanese politicians have concluded that they have wide latitude to reject reunification and to maneuver the island toward independence. Some, including President Lee and Hsu Hsin-liang, chairman of the opposition Democratic Progressive Party, define their objective as international acceptance of the "Republic of China," now reduced in territory to Taiwan and a few offshore islands, as a sovereign state distinct from the PRC. Lee's Kuomintang (KMT) still pays lip service to reunification, saying that it might be considered when and if the Chinese mainland democratizes; Hsu's DPP flatly opposes reunification under any circumstances. Other DPP leaders, including Chen Shui-bian, the popular mayor of Taipei, whom many see as Taiwan's next president, favor a plebiscite to approve a "Republic of Taiwan."

THE ONCE AND FUTURE CHINA

Until recently, governments on both sides of the Taiwan Strait embraced the concept of “one China” (although they disagreed, of course, on which was the legitimate regime). The United States has long hoped that negotiations could settle Taiwan’s relationship with the rest of China and end the Chinese civil war. Not until the United States terminated its 1954 defense treaty and cut its official ties with Taipei in January 1979 did the PRC officially admit the possibility of peaceful resolution of the Taiwan issue. China’s new leader, Deng Xiaoping, then abandoned three decades of Maoist rhetoric about the “liberation” of Taiwan and proposed a version of his “one China, two systems” approach, to be agreed upon in negotiations between Beijing and Taipei.

From June 1950 till December 1978 U.S. forces protected Taiwan from forcible reunification. The United States was able to end this military confrontation with the PRC when it persuaded Beijing that, given the cross-strait consensus on the principle of “one China,” negotiations could peacefully end the division of China. After 1979, the U.S. guarantee of peaceful settlement and continued arms sales under the Taiwan Relations Act bolstered Taipei’s confidence in negotiations. As U.S.-China ties strengthened, Beijing grew more confident that it could solve the Taiwan issue in talks with Taipei.

During the 1980s, the PLA withdrew most of its forces and installations from areas across the strait from Taiwan. Beijing and Taipei turned from military confrontation to the cautious promotion of economic interdependence and human contacts. Taipei consistently rejected Beijing’s proposals for the formal relaxation of

barriers to direct trade, communications, and travel, but it acquiesced in a broad *de facto* expansion of trade and investment ties. In 1979, Taiwan and the mainland had no economic links. By 1997, cross-strait trade had reached about \$26.5 billion a year, and some 35,000 Taiwanese companies had invested \$30 billion in the PRC. Nearly 1.5 million visits—the vast majority of them from Taiwan to the Chinese mainland—were being made each year.

The steady relaxation of tensions culminated in a 1993 meeting in Singapore between senior, authorized (but nominally unofficial) emissaries. They agreed on minor steps to facilitate the exchange of mail and trade across the strait. Beijing and Taipei also established a regular channel of communication between “nongovernmental” organizations to handle discussions with the other. Beijing went to Singapore to explore ways of realizing the principle of “one China” consistent with its concept of “one country, two systems.” Taipei entered the Singapore talks under its Guidelines for National Unification. These envisioned talks on private sector exchanges that would gradually lead to high-level visits and eventually to formal negotiations. The two sides agreed to disagree on what the principle of “one China” might mean in practice and planned further talks. A round was scheduled for June 1995 but canceled after Lee Teng-hui’s speech at Cornell.

Lee’s travels and speech were aimed at securing his reelection in Taiwan’s 1996 presidential elections. The Chinese mainlander-dominated KMT had long been the standard-bearer of Chinese nationalism on the island. During much of its rule in Taiwan, the KMT brutally

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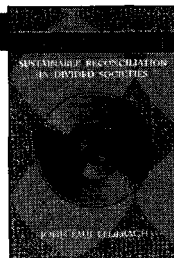
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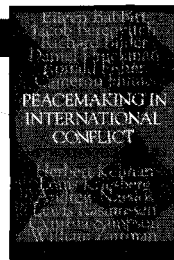


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credible, that commitment must be rooted in and enjoy broad public support and understanding. This makes it all the more important to communicate what trade and investment liberalization can and cannot do and be held responsible for. Trade and investment liberalization is not painless. It should not be viewed as a cure-all nor presented as an end in itself. It is, however, an essential component of any coherent set of policies aimed at helping societies adjust to—and take advantage of—technology-driven transformation whose pace and depth are unprecedented. The stakes are high. This book examines the various channels through which open markets deliver considerable benefits to societies and their citizens; recalls the real pocket-book costs of protectionism; and addresses the full range of concerns that feature prominently in ongoing discussions over the effects of market liberalization on employment, income distribution, environmental protection and national sovereignty. A central message of this book is that liberalization forms part of the solution to the concerns of citizens, rather than being their root cause. The book's comprehensive treatment of the ins and outs of trade and investment liberalization should make an important contribution to the public debate. It is essential reading for public officials, business leaders and private citizens who wish to take an active part in it.

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Preventing War in the Taiwan Strait

suppressed efforts by Taiwan's native Chinese majority to play a significant role in governing the island or to question the KMT's vision of reunifying China under Chiang Kai-shek. The first Taiwanese to head the KMT, Lee sought to reposition the party to identify it with Taiwanese aspirations for freedom from further rule by mainlanders, whether on the island or in Beijing. As he moved toward the center of Taiwan's democratizing politics, Lee embraced much of the separatist program of his Taiwanese nationalist opposition.

Lee's statements, Beijing's military riposte, and Washington's reaction accelerated the evolution in Taiwan's posture. Lee now asserts that the Republic of China, first established in 1912 by Sun Yat-sen, is still a sovereign independent nation whose territory is now limited to Taiwan and its offshore islands, and entitled to international recognition as such. Since Taiwan is already independent from the PRC under the name of the "Republic of China," Lee argues, there is no need to declare independence under another name such as the "Republic of Taiwan." Lee's position neatly combines the thesis that there are two Chinese states with the cause of Taiwanese independence. It has enabled his KMT to reach agreement on cross-strait relations with the mainstream of the DPP. This agreement repudiates the previous cross-strait consensus on "one China." In seeking to square their new position with "one China," KMT spokesmen now claim that the "China" of which Taiwan is a part is a historical or cultural zone rather than a nation-state.

Taiwan's efforts to redefine itself as a sovereign nation-state distinct from the PRC have been backed by well-financed "pragmatic diplomacy" aimed at changing

the international context of the Taiwan question and raising the island's profile. Taipei has used economic grants to persuade developing countries to recognize it as a state separate from the PRC and to support its campaign to gain a seat at the United Nations and other international organizations. This has set off a diplomatic bidding war in Africa, with some countries shifting relations back and forth between Beijing and Taipei to raise revenue from both sides.

Ironically, Taipei's new position has halted the progress it had been making toward membership in more international organizations. As a practical matter, Taipei cannot join such organizations unless Beijing agrees. Beijing was willing to compromise on this issue when Taipei's membership was consistent with the principle of "one China." Taipei's new insistence on independence has made additional compromises unacceptable to Beijing.

REASONS TO TALK

Besides a flag and other symbols of nationhood, it is difficult to see what Taiwan would gain from formal separation from China. Nor, truth be told, would Beijing gain much from reunification. Mainland China is already benefiting from Taiwan's economic know-how and financial resources, and Taipei no longer poses a credible threat to the legitimacy of the government in Beijing. The PRC is now almost universally recognized as the government of China, including Taiwan.

Beijing's opening offer for negotiations with Taipei posits an essentially symbolic reunification rather than effective incorporation of Taiwan into the PRC. Jiang Zemin's January 30, 1995, "eight-point proposal"

goes well beyond the version of "one country, two systems" applied to Hong Kong. It abjures any intention to alter Taiwan's political, economic, or social systems. It renounces Beijing's right to participate in governing Taiwan or to station troops on the island and envisages Taiwan's retention of its own armed forces. Jiang's proposal acknowledges that it is desirable for Taiwan to continue to participate, on an agreed-upon basis, in international organizations as a Chinese society distinct from those in Hong Kong, Macao, or the mainland.

Even though it could undoubtedly negotiate improvements in this formula, Taipei is reluctant to enter a serious dialogue with Beijing on this basis. Taiwan's democratic politics have produced no consensus on what sort of long-term relationship, if any, Taiwan should have with the rest of China. Many in Taiwan accept Lee's redefinition of the status quo and see no reason to return to a view of the status quo as "one China, even if not now." In short, Taiwan's domestic politics now makes it difficult for its leaders to address Beijing's reunification agenda, even if they wanted to.

Taiwan's political establishment does not want to appear to be against talks across the strait because that would not sit well with the United States or Japan. The problem is that Taiwanese public opinion will only permit talks with Beijing about how to preserve and enhance Taiwan's separation from China. Taiwan's leaders know that Beijing cannot accept such a premise for talks.

DIRE STRAIT

For the first time since the 1950s, there is a real danger that decisions in Taipei, not just Beijing, could ignite a conflict in the

Taiwan Strait. The United States, as well as both Chinese parties, would be a loser in any such conflict, whether American forces joined it or not. U.S. policy can no longer hope to deter war exclusively by keeping Beijing at bay. The United States must also discourage decisions and actions by Taipei that could leave Beijing with little choice but to react militarily. But such a policy cannot be implemented if Congress and the administration remain at odds.

The Clinton administration has yet to do much to educate Congress on the dangers that recent developments in Taiwan and on the mainland pose to peace. A serious effort to forge a national consensus on policy toward China, including Taiwan, is overdue. The starting point must be a recognition that attempts by either party to impose a solution on the other are incompatible with the U.S. interest in a peaceful settlement. Hence the United States should state unequivocally that it will not support or endorse any unilateral change in Taiwan's status by either Beijing or Taipei. The United States should make it clear that it favors expanded contact, trade, investment, and other ties as well as the earliest possible start of negotiations between Beijing and Taipei, and that it can accept any change in Taiwan's status to which both sides agree. Washington should encourage Tokyo to join it in saying so.

The best short-term solution to the Taiwan question may be no solution at all: no change in the "one China, but not now" status quo, no reunification, no assertions of independent sovereignty by Taipei. Thus the United States should encourage Beijing and Taipei to discuss deferring negotiations about their long-term relationship for a specific period—say 50 years. In the interim, neither side would attempt

Preventing War in the Taiwan Strait

unilaterally to alter the status quo. Neither side would threaten or use force against the other.

The rising military tensions in the Taiwan Strait also call for a reevaluation of arms sales to Taiwan. In the 1982 Sino-American communiqué, China pledged "to strive for a peaceful solution to the Taiwan question," and in return the United States promised to cap the quantity and sophistication of its arms sales to Taiwan, "leading to a final resolution." The United States cannot hold Beijing to its word if Americans do not keep theirs. The sale of 150 F-16 fighters to Taiwan in 1992 and some subsequent deals do not square with the 1982 agreement.

Beijing is now wavering in its determination to stick with a policy of peaceful resolution of its differences with Taipei. How much of this wavering is due to U.S. noncompliance with the 1982 communiqué and how much to Taipei's new opposition to reunification is unclear. What is clear is that U.S. arms sales to Taiwan no longer work to boost Taipei's confidence that it can work out its differences with Beijing. Instead, they bolster the view that Taiwan can go its own way, regardless of history, geography, and the views of Chinese across the strait. This is not the message the United States should be sending Taiwan. That is why at a minimum the United States should return to strict compliance with Ronald Reagan's 1982 understanding with Deng Xiaoping and insist that Beijing do likewise. And as the United States considers further arms sales to Taiwan, it should weigh their impact on Taipei's intentions and behavior as well as Beijing's. Doing so will not weaken Taiwan's self-defense capability. There is already more

in the pipeline than Taiwan's military can easily absorb.

It does not make sense to attempt to sustain Taiwan's current military superiority or even a long-term military balance between Taipei and Beijing. To do so would be to sponsor an arms race that Taiwan cannot, in the long run, hope to win against a vastly larger and equally dynamic society. It is not in the interest of Taiwan or the United States to cast the dispute in military terms. The greatest strengths of Taiwan's 22 million people are their superior political and economic systems, not their capacity to outspend, outarm, or outfight the nearly 1.3 billion Chinese across the strait, with or without backing from U.S. forces. Taiwan's security depends, in the end, on its ability to work out a mutually satisfactory relationship with China.

The United States is no longer the central actor in cross-strait relations, but its words and actions continue to shape their context. Adjustments in U.S. policy do not require the agreement of either Beijing or Taipei for their implementation. The United States should return to a focus on its most important interest in the Taiwan question—ensuring that it is resolved peacefully, by mutual accommodation, rather than in war. The regular summit meetings on which China and the United States have now embarked offers ample opportunity to do so. ☸

Exodus within Borders

The Uprooted Who Never Left Home

Roberta Cohen and Francis M. Deng

Tens of millions of people have been forced from their homes during the past decade by armed conflict, internal strife, and systematic violations of human rights, all the while remaining within the borders of their own countries. No continent has been spared. Africa today counts about 10 million internally displaced persons, Europe and Asia some 5 million each, and Latin America up to 2 million. These masses in flight—who, unlike refugees, have not crossed a border—constitute the newest global crisis.

Internal displacement always has severe humanitarian implications. These displaced persons are at the greatest risk of starvation, have the highest rates of preventable disease, and are the most vulnerable to human rights abuses. Internal displacement is a symptom of state dysfunction that poses a threat to political and economic stability at the national and international levels. Both the communities left behind and the towns and villages in

which the displaced find refuge are often ravaged. In some cases, so many people flee that whole societies are uprooted. Violence and instability can spread through entire regions, forcing neighboring states to bear the brunt of massive refugee flows. Even countries continents away may have to contend with a wave of desperate refugees.

Today's crisis of internal displacement is no less acute than the refugee crisis that confronted Europe after World War II. Then, humanitarian needs coupled with practical political and economic interests brought about a system of international protection and assistance for those displaced outside their native countries. In 1951, the position of United Nations High Commissioner for Refugees was created and a U.N. refugee convention adopted. Today, UNHCR has a staff of 5,000, an annual budget of more than \$1 billion, and 13.2 million refugees in its care.

But those forced from their homes who remain under their government's

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ARCHIVE PHOTOS

So near, yet so far: The U.N. helps those who cross borders, Rwanda, 1996

jurisdiction are not covered by any international arrangements. Although their numbers now exceed those of refugees, no international institution is specifically charged with their protection or assistance. The absurdity is that if these people had crossed a border, they would fall under U.N. protection.

A COLD WAR LEGACY

Internal displacement became a subject of international concern in the late 1980s. When the numbers were first compiled in 1982, 1.2 million people were estimated to be displaced in 11 countries. Four years later the total had grown to 14 million. Since the early 1990s, the numbers have fluctuated between 20 million and 25 million in 35 to 40 countries.

The major reason for this dramatic increase was the rise in internal conflicts as the Cold War came to a close. The proxy wars the superpowers fought in the 1980s displaced millions of people who came into full view only as Cold War tensions eased in Angola, Mozambique, Ethiopia, Afghanistan, Cambodia, and El Salvador. The arms the United States and the Soviet Union had supplied to regimes or opposition movements furnished the weaponry for the ethnic and clan warfare that broke out once the superpowers departed. Liberia and Somalia, two countries that plunged into civil war, were among the largest recipients of U.S. military assistance in sub-Saharan Africa during the 1980s. In Europe and Central Asia, the collapse of the Soviet

Union lifted the lid on nationalist aspirations and ethnic rivalries that displaced millions more.

Elsewhere, vast disparities in wealth, land ownership, and power have been at the root of conflict. In Rwanda and Burundi, high population density and limited fertile land exacerbated tensions between Hutus and Tutsis. In Colombia, conflict over land has forced hundreds of thousands from their homes. In other cases, struggles between governments and minorities have produced mass displacement. In Sudan, which has the world's largest internally displaced population, the efforts of successive northern governments to impose Islam on the black African south have made four million people homeless. In Turkey, which has the second-largest displaced population, government repression against the Kurdish minority has sent two million people fleeing for their lives.

The 1990s have seen greater willingness on the part of the international community to intervene in these situations, even without the consent of the government concerned. A major motivation has been the desire to forestall international flows of refugees. As the number of refugees has grown, Western governments as well as those in Africa and elsewhere have become less welcoming to those in flight. Their focus has shifted to keeping people in their homelands. The U.N. Security Council justified the international community's precedent-setting intervention on behalf of the Kurds in Iraq in 1991 on the grounds that massive flows of refugees threatened international peace and security. Subsequent Security Council resolutions on Somalia, Bosnia, and Rwanda have also authorized the use of force to facilitate the delivery of

relief and, in the latter two cases, to protect internally displaced populations.

Nonetheless, the principles of sovereignty, territorial integrity, and noninterference in the internal affairs of states present formidable obstacles to intervention by international organizations. While some governments, such as Sri Lanka, invite international assistance, others deliberately bar humanitarian aid, seeing it as strengthening their opponents and undermining their authority. Sudan, for example, has obstructed humanitarian aid, while Turkey has blocked all international assistance to its displaced citizens. Some countries have deliberately starved the displaced while invoking their sovereignty to keep the international community at bay.

REDEFINING TERMS

A response to such conduct requires a broadly recognized standards and arrangements to guide the actions of governments and international humanitarian agencies. The definition of sovereignty should be broadened to include responsibility: a state can claim the prerogatives of sovereignty only so long as it carries out its internationally recognized responsibilities to provide protection and assistance to its citizens. Failure to do so should legitimize the involvement of the international community. States that refuse access to populations at risk could expect calibrated actions ranging from diplomacy to political pressure, sanctions, and, as a last resort, military intervention.

Earlier this year, the representative of the U.N. secretary-general on internally displaced persons outlined guiding principles for the rights of the displaced and the duties and obligations of states and

insurgent groups. These principles include a right not to be arbitrarily displaced, access to humanitarian assistance and protection while in flight, and guarantees of reparations upon returning home. While the principles lack legal force, they set standards that should put both governments and insurgent groups on notice and give international and non-governmental organizations (NGOs) a basis for legitimate action. The United Nations' acknowledgment of these principles and call for their observance would be an important step forward.

A PICK-AND-CHOOSE POLICY?

During the last ten years, an array of humanitarian, human rights, and development organizations have come forward to provide protection, assistance, and reintegration and development aid to the internally displaced. The efforts of international agencies and the NGOs that work alongside them are being coordinated by the U.N. Office for the Coordination of Humanitarian Affairs. Nonetheless, many internally displaced persons remain neglected because the international response is largely ad hoc. Various agencies pick and choose the situations in which they wish to become involved; no organization has a global or comprehensive mandate to protect the displaced. The result is that the needs of the displaced are met to varying degrees in some countries and not at all in others.

The United Nations' best option is a more targeted approach that takes advantage of existing mandates and capacities. The U.N. emergency relief coordinator could assign principal responsibility in each emergency to one international agency, assisted by a U.N. coordinating

mechanism. When a single agency has been made responsible for a group of internally displaced people, greater attention has been paid to their needs.

Since 1992 a representative of the secretary-general has been authorized to monitor displacement worldwide, undertake fact-finding missions, open dialogue with governments, and make proposals for strengthening legal and institutional protection for the internally displaced. He has raised international awareness and mobilized support from governments, foundations, academia, and the legal and NGO communities. The position's effectiveness, however, is limited because it is voluntary and part-time. It has no operational authority and minimal human and material resources at its disposal. The capacity of the representative to act in crises can be strengthened only if the United Nations provides staff and resources commensurate with the task.

To date, the international community has focused on providing food, shelter, and medical supplies. Yet displaced persons have regularly pointed out that security is as great a priority as food. Providing relief to uprooted people while ignoring the fact they are being beaten or raped has led some to call the victims the "well-fed dead." U.N. human rights activities are slowly being integrated into humanitarian programs. A next step would be for the newly appointed High Commissioner for Human Rights, Mary Robinson, to deploy field staff during internal displacement crises to monitor security problems, serve in safe areas and camps, and promote safety during their return home.

Humanitarian assistance and development agencies of all stripes will also have to become more responsible for protecting

the people they assist. Many have silently witnessed abuses because of exaggerated fears that confronting a host government will result in expulsion of their personnel and termination of their programs. The effort would be strengthened if governments and insurgent groups were made aware that they were dealing with a united front bound by common human rights and humanitarian standards.

MUSCLE AND MONEY

In recent years, military interventions have been more successful in preventing starvation than in physically defending people at risk. This failure underscores the need for strategies to prevent genocide and other crimes against humanity that lead to displacement. Early action must be encouraged when there are warning signs, as there were in Rwanda, and forces charged with protecting the displaced must have the equipment, training, and mandates needed to accomplish their task, which was not the case in Bosnia.

Unless accompanied by steps to address the causes of crises, military solutions are only temporary. Humanitarian assistance alone can prolong conflicts. Conflict and internal displacement can be resolved only through a broader commitment to the peaceful management and mediation of disputes.

Since today's conflicts take place mainly within developing countries and may go on for decades, international development and financial institutions cannot afford to wait until they burn themselves out. By getting involved early on, these organizations stand a better chance of influencing the outcome and helping lay a foundation for a transition to peace. Even when societies are still in

conflict, they can help stabilize the situation and make reintegration more likely.

In countries devastated by civil wars, up to half the population can be uprooted. Whether in Mozambique, Angola, Afghanistan, Cambodia, or El Salvador, the rehabilitation of areas affected by conflict requires the reintegration of uprooted populations. An expanded role for international development and financial institutions in post-conflict reconstruction could influence the way these societies reintegrate displaced populations. A global reconstruction fund would be an important step toward assuring such transitions. Efforts by international development programs and financial institutions to redress economic inequities could also help prevent future strife.

Conflicts that are allowed to fester can produce mass displacement and leave political and economic scars that damage the economic well-being and political security of neighboring states, regions, and the international system as a whole. The world community cannot let this newest challenge go unchecked.🌐

Essays



MAGNUM PHOTOS/LEONARD FREED

Palestinian children look on while religious Israelis pass by, Jerusalem, 1989

Increasingly, Israeli and Palestinian politics are the front lines of the peace process.

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The Politics of Paralysis I

Netanyahu's Safety Belt

Ehud Sprinzak

THE RISE OF ISRAEL'S SOFT RIGHT

FOREIGN OBSERVERS have always had trouble understanding Israel's complex politics and following the twists and turns of the Jewish state's foreign policy. But nothing in Israeli political history has raised eyebrows like the ascendancy of Binyamin Netanyahu, who unexpectedly edged past Shimon Peres of Labor in the 1996 elections. Despite Netanyahu's razor-thin margin of victory, repeated diplomatic blunders, and derailment of a peace process that is overwhelmingly supported by Israelis—nearly 60 percent, according to polls by Tel Aviv University's Tami Steinmatz Institute of Peace, support the Oslo accords—the young Likud prime minister is poised to win a second term. Netanyahu's continued popularity is the great paradox of Israeli politics today.

The key to the Netanyahu enigma is a new configuration of domestic forces that has allowed him to rule the country comfortably and commit foreign policy mistakes with electoral impunity. Netanyahu relies today on a conservative alliance comprising three major forces: Israel's nationalist right, its radical right, and its soft right. The first two groups have long been part of Israel's political landscape. What is new is the soft right, an odd *mélange* of ultra-Orthodox Jews and

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secular immigrants from the former Soviet Union, whose newfound influence lets Netanyahu defy political gravity.

THE WAY WE WERE

SINCE 1977, when the Labor Party lost an election for the first time ever to the Likud, Israel's political map has been split into two large and roughly equal ideological camps polarized over the future of the West Bank and the Gaza Strip. While Labor, under Yitzhak Rabin and Shimon Peres, advocated moderation and territorial compromise, the Likud of Menachem Begin and Yitzhak Shamir pursued a hard-line agenda, urging the settlement and eventual annexation of the occupied territories. In the center has been a smaller ultra-Orthodox camp that cares less about the territories or the Palestinians than about government largesse. Conventional political wisdom has held that the party that comes out on top in the elections will automatically receive the support of the ultra-Orthodox, giving it the votes to form a coalition. While the Likud and its satellite parties on the far right have dominated national politics since 1977, Rabin's appeal as a security-minded pragmatist led Labor back to power in 1992. Labor's return made possible the Oslo accords with the Palestine Liberation Organization (PLO) and a formal peace treaty with Jordan.

Israel's right was galvanized by the Six Day War of 1967, in which Israel took the West Bank and East Jerusalem from Jordan, the Gaza Strip and the Sinai from Egypt, and the Golan Heights from Syria. Since then, the Israeli right has been composed of two major segments: the secular nationalist right, embodied in the Likud of Begin and Shamir, and the radical right, spearheaded by settlers of the occupied territories. The Likud has traditionally represented the pragmatic and parliamentary politics of Israel's territorial maximalists. Parties such as Moledet, Tsomet, and the National Religious Party (NRP), as well as Gush Emunim, the main arm of the settlers, and the anti-Arab Kach movement speak for the extremists. The radical right is far more militant than the Likud and has a penchant for extra-parliamentary politics and extralegal action, including illegal settlement-building and violence.

The great territorial debate between right and left was, for years, largely irrelevant to the third camp of Israeli politics, the ultra-Orthodox

parties of Agudat Yisrael, Degel Ha'torah, and the more pragmatic Shas. The ultra-Orthodox, unlike Orthodox Zionists such as the NRP, have never accepted secular Zionism, the founding ideology of Israel, because they believe Jewish sovereignty must wait until the coming of the Messiah. Instead, the ultra-Orthodox, who do not serve in the Israeli army, have an instrumental attitude toward the state—accepting its money but not its legitimacy—and a pronounced disinterest in the paramount national issues of war, peace, the territories, and the Palestinians. Convinced that all these “minor” problems will be resolved in the messianic era, the ultra-Orthodox have focused exclusively on the welfare of their constituents and the prosperity of their yeshivas, or religious seminaries. By playing a shrewd game of hard-to-get with Labor and Likud, the ultra-Orthodox—both Ashkenazim, or Jews of East European ancestry, and Sephardim, or Jews from the Middle East—have long specialized in pushing through legislation enshrining their monopoly over religious affairs and obtaining large state subsidies for their communities and yeshivas.

ENTER THE SOFT RIGHT

ISRAELI POLITICS has, however, quietly undergone a great shift. As highlighted by the 1996 elections, the ultra-Orthodox camp has moved decisively rightward and now offers virtually automatic, monolithic support for the Likud's prime ministerial candidate. This new camp may be accurately labeled a “soft right” because the ultra-Orthodox hold a special kind of right-wing attitude that is much more yielding than that of the traditional Likud right. The soft right is a loose coalition of three main components: ultra-Orthodox Ashkenazim, ultra-Orthodox Sephardim, and secular immigrants from the former Soviet Union. Together, the soft right's political parties control 21 of the 120 seats in the Knesset, Israel's parliament.

The ultra-Orthodox shift to the right has been neither ideological nor theological. Not one of the ultra-Orthodox's venerated rabbis has altered his stance on the heretical origins of the state of Israel, the idolatry of the settlers' worshipful attitude toward the land of Israel, or the dream of the Messiah's arrival. The sages, as ever, see Jewish settlements in the West Bank as meaningless. They address the question



MAGNUM PHOTOS/ECONOMOPOULOS

Bibi's babies: A demonstration against the peace process, Jerusalem, January 1996

of whether to hold on to the territories or negotiate their return only in terms of *pikuakh nefesh*, the principle in Jewish law that saving lives is one's paramount obligation, and thus may be willing to back a territorial compromise that would avert bloodshed. The movement of the ultra-Orthodox toward the nationalist right and the radical right has been primarily emotional, based on a mutual animosity toward the Arabs and the godless Israeli left. If the traditional right

has based itself mostly on positive themes such as controlling the “Greater Land of Israel,” building settlements, and expanding Israel’s borders, the themes of the soft right are mostly negative. Their stock in trade is intense mistrust of and hostility toward Arabs and, just as bad, their secularized Jewish “collaborators” on the Israeli left.

The most aggressive element within the soft right is its political activists, hundreds of young men who support Netanyahu with unbridled enthusiasm. This generation of activists, now in their late twenties or thirties, has gradually come to dominate the political agenda of their respective movements, drawn ever more popular support, and, surprisingly, even made their elderly rabbis follow their political lead. As the activists moved from the center to the right, a large number of ultra-Orthodox and conservative voters followed. The activists of the soft right have access to 15 to 20 percent of Israel’s voters, although they by no means control them. Groups associated with the religious soft right include the young generation of Agudat Yisrael, Degel Ha’torah, the Habad Lubavitch movement, Shas (the Sephardic ultra-Orthodox party), and several Sephardic rabbis involved with *ba’alei t’shuvah* (newly devout “born-again” Jews).

THE MAKING OF A MOVEMENT

THE SOFT right is the product of several political and cultural processes at work over the last two decades. Since these dynamics evolved at the margins of Israeli society, their full significance has largely escaped the attention of political observers and scholars. The following, put briefly, are the key elements behind the rise of the soft right.

The interaction between Gush Emunim and ultra-Orthodox yeshivas. Since the early 1980s there has been an intriguing exchange between the religious Zionist yeshivas of Gush Emunim, the main settler group, and the anti-Zionist ultra-Orthodox teachers the yeshivas recruited to teach *halakha*, or Jewish law. While few of the individuals involved have altered their fundamental theologies, both sides discovered a commonality: they viewed Arabs and the left as dire enemies. This similarity drew more ultra-Orthodox activists into right-wing politics.

The Kahanization of ultra-Orthodox students. Since 1977, the year the Likud first won power, ultra-Orthodox yeshivas have grown dramatically due to the increasing number of students exempted from service in the Israel Defense Forces (IDF) because they wish to devote their lives to the study of Jewish law. The higher enrollment produced many marginal students who were ill-prepared for rigorous *halakhic* studies. These restless and energetic young religious men were astutely targeted by the quasi-fascist followers of the late Rabbi Meir Kahane, an extremist from Brooklyn who fomented anti-Arab violence. Many of these marginal students were attracted to the Kahanist subculture of violence “in the name of God” and aggressive radical-right politics.

The politicization of Habad. One segment of Israeli ultra-Orthodoxy—Habad, the Hasidic followers of the late Rabbi Menachem Mendel Schneerson of New York—have long been close to the Israeli right. Since Israel took the West Bank in 1967, Habad’s revered spiritual leader repeatedly insisted on the holiness of the entire land of Israel, including the newly won territories. For years, however, Habad stressed its nonpartisan educational mission. But the intensification of Israel’s ideological struggle over the territories gradually dragged the movement into politics, with a marked and growing right-wing bias. This politicization was consummated in 1996, when Habad money poured into Netanyahu’s campaign, which was boosted by hundreds of enthusiastic activists. One notorious Habad bumper sticker made clear the movement’s anti-Arab, anti-left animus by proclaiming, “Netanyahu: Good for the Jews.”

The rise of Shas. Since its formation in 1984, the Sephardic religious movement known as Shas has been the most dynamic party in Israeli politics. Shas is a unique combination of ultra-Orthodox piety and earthy pragmatism—often even corruption. Inspired by a long-simmering sense of Sephardic discrimination at the hands of Israel’s founding Ashkenazic elites, the prestige of several young Sephardic rabbis, and the charisma of its founder, former Chief Sephardic Rabbi Ovadiah Yosef, the party has consistently siphoned Sephardic votes away from the Likud—heretofore the main political address for Sephardic resentment. Shas’ rabbis are well known for dovishness on the peace process, which

The soft right intensely
mistrusts Arabs and
Israel’s secular left.

they argue will save lives. But since the land of Israel has never been on Shas' priority list, the party's rabbis let numerous activists openly support the right. Shas' affinity for the Likud and its rightist allies has only been heightened by the anti-clerical positions of many Israeli liberals, especially from the left-leaning Meretz party. The recent indictment of several corrupt Shas leaders by Israel's secular justice system—to say nothing of the long-running legal woes of Aryeh Deri, the party's leader—only served to strengthen the party's sense of persecution and anti-leftist sentiment.

The growth of the Sephardic "born-again" movement. Another aspect of the anti-Ashkenazic backlash, paralleling the rise of Shas, has been the growing attraction of Sephardic Jews to Orthodoxy. Launched in the mid-1980s by a group of charismatic young rabbis, the diffuse *t'shuvah* ("repentance") movement now constitutes a significant cultural trend in Israel's development areas and urban slums, claiming tens of thousands of full or partial converts. Although not manifestly political, the "born-again" movement has voiced strong political undertones, including aggressive attacks on Israel's liberal Supreme Court and portrayals of Palestinians—both the inhabitants of the occupied territories and Arab citizens of Israel proper—as the nation's greatest enemies, with Israel's primarily Ashkenazic liberals as their fellow conspirators.

Propelled by all these factors, the soft right grew slowly for nearly two decades. But the 1992-96 Labor-Meretz government, with what appeared to be an anti-clerical political and legislative agenda, awoke this latent force. A vitriolic campaign by the radical right against the Oslo accords inflamed the situation. Shrewdly focusing on the "unholy alliance" between Rabin, Peres, and Israeli Arabs—the alleged "secret partners" of "arch-terrorist" Yasir Arafat and the PLO—the Israeli radical right succeeded in mobilizing the soft right. A wave of suicide terrorism by the Islamists of Hamas had a devastating effect on the Israeli psyche, cementing this emotional alliance and paving the way for Netanyahu's victory.

RUSSIAN RIGHTWARD

WITHOUT THE overwhelming support of Jews from the former Soviet Union who have immigrated to Israel since 1990, Netanyahu would never have been elected. Making up over 10 percent of the Israeli electorate, Russian Jews have become a major factor in the

nation's politics, and 65 percent of them voted for Netanyahu in 1996. Despite their pervasive secularism and animosity toward ultra-Orthodoxy, the Russians share rightist sentiments with the rest of the soft right. Most Russian Israelis cannot tolerate the rhetoric of the left because of their painful memories of the Soviet Union. Having been exposed to intense anti-Semitism, many of these insecure immigrants share the widespread ultra-Orthodox distrust of Arabs. While the Russians, unlike the ultra-Orthodox, do not have an echelon of young activists who dictate their political agenda, their rightist orientations are consistently nourished by several conservative daily newspapers printed in their native language. Israel's Russian press is, in fact, the unifying element of a highly diverse group.

With their secularism, heterogeneity, and large number of countries of origin, the Jews from the former Soviet Union are the softest part of the soft right. Russian electoral behavior can be quite pragmatic. Their support of Labor in 1992 and subsequent wholesale defection to the Likud in 1996 suggest a flexibility that does not square with doctrinaire conservatism. The rise of Yisrael B'aliyah, the successful new party founded by Natan Sharansky, the former Soviet dissident, underscores the Russians' blend of rightist inclinations and political realism. Sharansky, a celebrated former refusenik who shares Netanyahu's political philosophy, barely addressed the major national issues—Oslo and the Palestinians—in his 1996 election campaign and still won seven seats. Yisrael B'aliyah was strictly business, calling on Russian voters to elect their own Knesset members to obtain a greater share of Israel's social spending. While their rhetoric remains conservative, the Russians are in nobody's pocket. Netanyahu will have to work hard to keep their loyalty.

NETANYAHU AND THE NEW POLITICS

THE SOFT right would have become a vital element of Israeli politics even without the dramatic electoral reforms of 1996, which provided for the direct election of the prime minister. Similarly, Netanyahu would probably have defeated Peres even under the old electoral system, in which the Knesset elected the prime minister. Even so, the 1996 reforms strengthened the right in general and the soft right in particular.

Most important, the new electoral system solidified the soft right by forcing the anti-Zionist ultra-Orthodox rabbis to choose between two Zionist candidates for prime minister, a previously inconceivable decision. A decade ago, the sages might have been torn between Labor and Likud, but in 1996 they had surprisingly little hesitation. The threat of another anti-clerical Labor-Meretz government and

When a crisis erupts, a belligerent Netanyahu rushes for the cameras.

the growing appeal of the right among their young activists made Netanyahu the uncontested candidate of all ultra-Orthodox rabbis. Netanyahu's victory—the election of a prime minister who was both a nonobservant Jew and a confessed adulterer—became, paradoxically, their victory. With the blessings of their revered rabbis, activists of the soft right became the winning card of the Likud. Campaigning day and night in every ultra-Orthodox neighborhood, the young soft-right leaders produced results that would have impressed the leaders of Tammany Hall. Of ultra-Orthodox Ashkenazim who voted in 1996, 95 percent cast their ballots for Netanyahu.

The new prime minister was grateful to the soft right for its votes, but he has been quick to recognize the low price of its continued support. A superb communicator, Netanyahu knows that this emotional constituency is enamored of chauvinist rhetoric and attacks on Arab terrorism. When a crisis with the Palestinians, Hizballah, the Clinton administration, or alleged “Arab sympathizers” anywhere erupts, a belligerent Netanyahu rushes for the cameras. The astounding success of this media strategy was evident after the Mossad bungled an assassination attempt last year on a Hamas leader in Amman, Jordan. Under fire from Labor, the United States, and a livid King Hussein, Netanyahu told the soft right exactly what they most wished to hear: that, regardless of political risk, he would continue to hunt terrorists wherever they might be and that Israelis' security would remain his sole consideration. On another occasion, in a meeting with an elderly Sephardic kabbalistic rabbi, Netanyahu pandered again to soft-right sentiment. Not realizing that he could be heard by reporters, the prime minister whispered that Israeli leftists had forgotten how to be Jews and could not be entrusted with the nation's security because

they are prepared to accept Israeli Arabs as partners in government. Despite mounting criticism in the press, Netanyahu's support remained strong in the polls.

The soft right has also become Netanyahu's safety belt against his Likud critics. Since his election, the prime minister has managed to alienate a worrisome number of his own Likud colleagues. Partly due to the unprecedented success of a younger man in seizing the party reins from veteran politicians such as Ariel Sharon, David Levy, Ehud Olmert, and Dan Meridor, and partly because of his repeated policy blunders, Netanyahu has become a target of intense Likud animosity. The vocal departures of Meridor, Levy, and Binyamin Ze'ev Begin—the son of Menachem Begin, the Likud's founder—from Netanyahu's cabinet further undermined his authority. Netanyahu has, in addition, failed to win the respect of the radical right and the settlers. While benefiting from the Netanyahu government's dislike of Oslo, many settlers consider its head a dishonest opportunist. With the backing of the soft right, who either disregard such criticism outright or see it merely as "Ashkenazic infighting," Netanyahu is able to maintain solid public support and convince his right-wing detractors that he is still the best game around. In an age of television and virtual politics, the soft right is a great asset for a leader of Netanyahu's style.

BUT SOFT

THE MOST significant policy question about the soft right is not whether its growth will continue—it will—but whether that expansion will guarantee Netanyahu's victory in Israel's next elections and an uninterrupted Likud-led derailment of the peace process. Crucially, the soft right is not only right but also soft. This implies a weak commitment to the core values of the traditional right: the integrity of the entire land of Israel and the Revisionist Zionist obligation of settlement-building. Hence, the soft right will remain loyal Likudniks as long as the price of doing so is not exorbitant. Russian support for the Likud is particularly fragile. If the bill for backing the Likud gets too high, the majority of the soft right will not be reluctant to support a Labor candidate with Rabin-style security credentials, such as the party's current leader, former IDF Chief of Staff Ehud Barak.

What might make the soft right switch sides? The most likely scenario is a continued deterioration in the peace process that ends in a bloody confrontation with the Palestinians or Syrians. To be sure, the ultra-Orthodox and the Russians dislike the Arabs and distrust the secular left, but they are not prepared to come to blows for these sentiments. Unlike the Israeli right's hard core, which is ready to fight for the land of Israel and to accept the concomitant sacrifices, most Israelis are opposed to spilling blood to keep the West Bank or maintain Gush Emunim's settlements. The soft right belongs to this majority. Ultra-Orthodox and Russian families of active duty and reserve soldiers are especially likely to resent any government that leads the nation into a costly military confrontation.

Temporary support for a Labor candidate is not, however, the only available option for the soft right in a time of crisis. An even more attractive proposition would be to support a Likud prime minister—either Netanyahu or a less tainted figure like Olmert, Jerusalem's ambitious mayor—who will preempt the upcoming disaster by accepting territorial compromise and forging a reasonable peace. The soft right may yet become the bridge between the pragmatic supporters of the prime minister from the moderate wing of the Likud and supporters of peace on the left. Such a situation may prove to be the soft right's finest hour. ❷

The Politics of Paralysis II

Peace Now or Hamas Later

Khalil Shikaki

PALESTINIANS HAVE REACHED THEIR LIMITS

SINCE THE election of Binyamin Netanyahu in 1996, mutual trust and confidence between Yasir Arafat's Palestinian Authority (PA) and Israel's new Likud government have steadily deteriorated. That vicious cycle will only be exacerbated as the two sides harden their positions in preparation for the final status talks. These negotiations touch on both Israelis' and Palestinians' most critical issues of security and national survival: refugees, Palestinian statehood, security arrangements, settlements, and, thorniest of all, Jerusalem.

The erosion of the Oslo process gives new importance to Palestinian politics. Palestinian public opinion will determine Arafat and the PA's room for maneuver in the run-up to May 1999—the deadline for the conclusion of the final status talks and, if those negotiations fail, Arafat's avowed date for unilaterally declaring Palestinian statehood. So far, al-Fatah, Arafat's mainstream, secular nationalist movement, has provided the backbone of the peace process. Its support has held despite the setbacks. But Fatah's success is based on two key factors: Arafat's leadership and a lack of initiative by the Islamist opposition.

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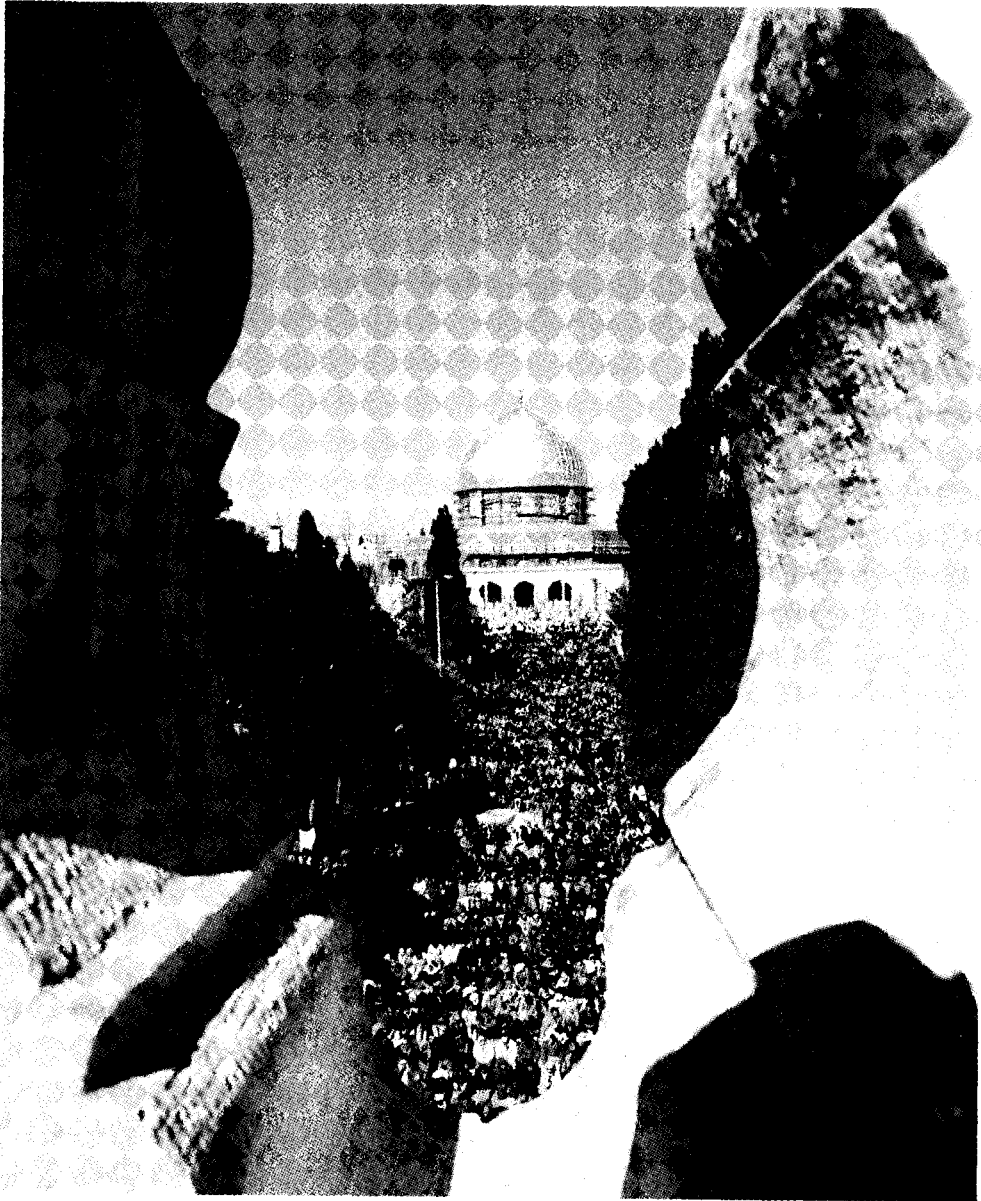
As the grand old man of Palestinian nationalism, Arafat's personal influence and political wiles have let him dominate and change Palestinian politics in a way no other figure could. But Arafat will not live forever, and Hamas will not stay on the sidelines forever. If the peace process flags, Arafat falls, and Hamas rises, the nationalist center could indeed lose its hold on power to the Islamists. Palestinian politics, increasingly, are the front line of the peace process.

A POLITICIZED SOCIETY

PALESTINIANS, LIKE their Israeli neighbors, are highly politicized. The 1993 Oslo Accords—which call for an end to terrorism, mutual recognition between Israel and the Palestine Liberation Organization (PLO), Israeli withdrawals from the West Bank and the Gaza Strip, the creation of the PA, and deferral of the remaining issues to the final status talks—have increased the importance for peace of Palestinian views. Pundits often make sweeping generalizations about belligerent Palestinian attitudes without bothering to offer evidence of any sort. But since 1993 Palestinian public opinion has been surveyed regularly and extensively, and can be quite accurately gauged.

There are three major political forces in Palestinian politics and society today: the mainstream nationalist center, a leftist nationalist opposition, and an Islamist opposition. Ideologically, the mainstream nationalists, led by Arafat and Fatah, the dominant faction of the PLO, are semi-secular pragmatists who place some emphasis on traditional values. The center says little about personal behavior, but it rejects political Islam and embraces some democratic values. It seeks to establish a Palestinian state in the West Bank and Gaza through the Oslo peace process. In demographic terms, supporters of the mainstream are disproportionately likely to be young, male, and less educated.

The national opposition, composed of the Popular Front for the Liberation of Palestine (PFLP) and the Democratic Front for the Liberation of Palestine (DFLP), is more leftist, secular, and socially liberal, but wary of liberal democracy and capitalism. Of the three groups, it has consistently had the least support. The leftists accept the notion of a Palestinian-Israeli peace based on a two-state solution, but they do not support Oslo and refuse to participate in the negotiations.



ARCHIVE PHOTOS

Does peace have a prayer?: Palestinian worshipers at the Dome of the Rock, 1997

To highlight their opposition to the peace process, the DFLP and PFLP boycotted the January 1996 national elections in the West Bank and Gaza. Supporters of the left are disproportionately well educated and are also often young.

Support for the peace process and opposition to violence is associated with educational level, age, and political affiliation. The well educated and supporters of opposition groups tend to be less supportive of Oslo

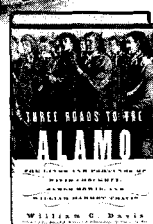
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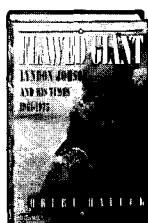
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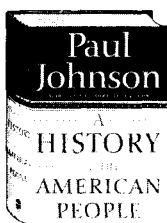
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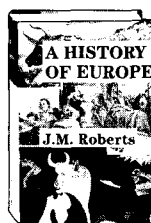
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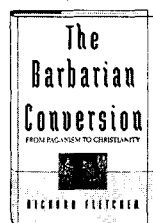
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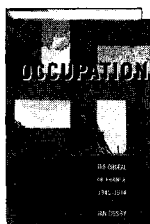
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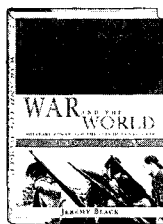
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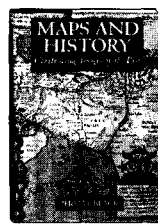
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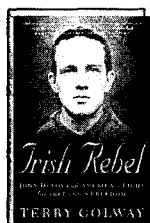
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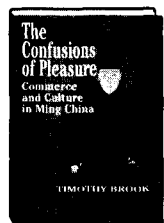
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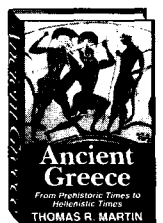
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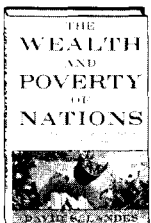
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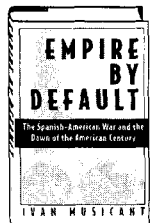
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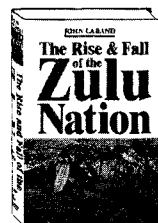
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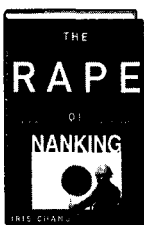
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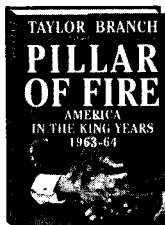
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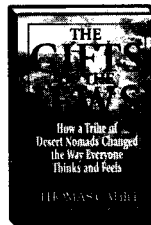
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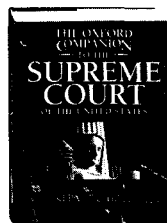
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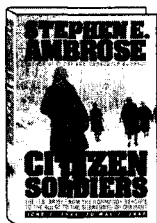
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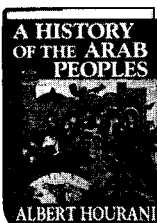
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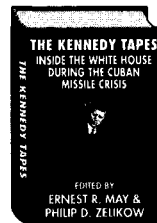
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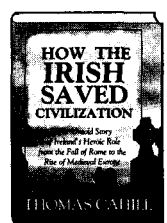
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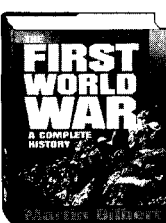
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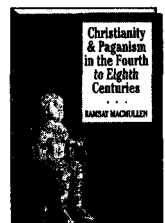
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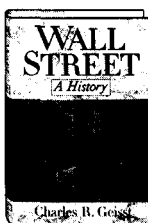
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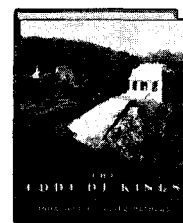
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and more supportive of terror. Palestinian students, like most other Arab students, tend to be more radical, defending ideals rather than compromises. To be sure, a general lack of responsibilities influences student thinking about the peace process. But more important, students' perceptions of Oslo are colored by the way they perceive their own governments. Most students see the peace process as an American tool to stabilize Arafat's corrupt regime and maintain the domestic status quo. The more disillusioned the students are with the PA about issues like corruption, mismanagement, and lack of democratization, the more opposed to the peace process they become.

The third force, the Islamists of Hamas and Islamic Jihad, focus on personal behavior, embrace the values of political Islam, and seek to establish an Islamic state. They emphasize traditional values, including veiling women and limiting their political role, but are not totally opposed to some liberal and democratic values. The Islamists oppose the peace process, refusing to acknowledge the legitimacy of Israel. They have no consistent demographic characteristic, even though disproportionately more support for them is found among illiterates and the most educated youth. The nonaffiliated are likely to be older, female, better-educated West Bank residents.

The universities aside, Palestinian society remains deeply traditional. But religion cuts different ways for the Palestinians. Those who pray daily are as likely to support the secular nationalists of Fatah as they are to support Hamas. But the Islamists have more support among those who oppose women's participation in politics and less support among feminists. Support for Hamas increases significantly among those who strongly oppose reinterpreting Islamic law to make it applicable to conditions of contemporary life, while support for the mainstream and the left increases among those who seek a more modern form of Islam. While Fatah has done well at appropriating some religious symbolism, the bottom line is that Palestinian traditionalism provides a deep wellspring of support for Hamas.

Perhaps most important, surveys of Islamist public opinion reveal significant heterogeneity. Palestinian Islamists are not a special group with identifiable demographic characteristics. They do not necessarily think alike, and they lack a unified worldview. The Islamist opposition is often ideologically motivated, but it has recently shown signs of

pragmatism. This means that they are not restricted to a narrow demographic or religious base from which they cannot grow. On the contrary, there is no logical limit to the support they could muster, were Arafat to fall out of favor and they to act shrewdly.

HAMAS' BLUNDERS

OSLO REWROTE the political map of the West Bank and Gaza. It halted the continued rise of the Islamists, diminished the appeal of the leftist nationalists, and shifted the overall balance in favor of the pro-peace camp. Oslo also changed the composition of the ruling elite. The national bourgeoisie emerged with the most power, the commercial class came to dominate the West Bank's economy, and the popular leadership of Fatah took control of the security services.

The opposition began deflating immediately after the establishment of the PA in Gaza in 1994. Early that year, the mainstream had an average support of about 38 percent.¹ The leftist opposition had an average support of about 10 percent in early 1994; it was cut in half to about 5 percent by early 1998. The Islamists, who had an average support of about 23 percent in 1994, dropped to about 15 percent in early 1998. In other words, while the mainstream has been able to maintain its popular support, the opposition—both leftist and Islamist—lost about 40 percent of its strength in the Palestinian street, dropping from 33 percent to 20 percent.

The opposition splintered between those inside and those outside the PA. Hamas' West Bank leaders increasingly urged accommodation with the PA, an end to violence, and participation in Arafat's political system. But the purist Islamist outsiders—particularly those based in Syria, whose president, Hafiz al-Asad, would like to scuttle Oslo—refused

¹ In September 1993, the Center for Palestine Research and Studies—funded by the Palestinian business community and international nongovernmental organizations including the International Republican Institute, the Ford Foundation, and the Rockefeller Foundation—started conducting regular surveys using area probability sampling, drawing representative samples of Palestinians in the West Bank and the Gaza Strip. Since then CPRS has conducted 32 regular public opinion polls, 3 polls of university students, a major survey of sociopolitical attitudes, and an exit poll. For the survey and each regular poll, a sample of approximately 1,300 adult Palestinians from the Gaza Strip and the West Bank (including Arab East Jerusalem) were selected. Polls cited herein are from CPRS.

to renounce terrorism or to permit the emergence of a local leadership in the West Bank and Gaza.

By mid-1995, the opposition was on the run from the reality of Oslo. Its continued denunciation of the peace process and its resort to terrorism, particularly suicide attacks against Israeli civilians, were no longer popular. Hamas and the leftists' inability to come to terms with the growing legitimacy of the PA—the direct result of the peace process which they rejected—made it extremely difficult for the opposition to define a role for itself in the new Palestinian politics. The paralysis led to the decision to boycott the January 1996 elections—a blunder that further weakened and marginalized the opposition as the newly elected legislative council became the focus of the Palestinian national debate on the peace process, democracy, and national reconstruction. The opposition became divided and weak.

Those who deserted the opposition did not necessarily join Fatah. In late 1993, only 11 percent of the population supported no organized political faction; by the end of 1997, that level was over 38 percent. Most of those remaining undecided have not embraced an alternative ideology. Those who deserted Hamas may go back to it if it regains the initiative.

PEACE AND ITS DISCONTENTS

THE PEACE process transformed the Palestinian psychological environment, leading more and more Palestinians to support negotiations and oppose terrorism. But as Oslo stalled during 1996–98, a significant number of Palestinians came to simultaneously back violence and the peace process.

So long as the Oslo process is moving, support for it remains strikingly strong, but tempered by reservations about the process' outcome. Many Palestinians seriously doubt that the final status talks will produce a mutually acceptable solution. In particular, the young and educated are wary of the peace process.

While overall support for Oslo remains high, its fortunes affect Palestinian opinion. In a September 1995 poll, in the wake of leaks of an impending interim agreement, backing for continuation of the peace process reached 71 percent. It continued to rise despite harsh

Israeli reprisals and suspension of peace talks after the suicide attacks of February and March 1996, reaching 81 percent in June 1996, despite the election of Netanyahu a month earlier. But support dropped by 11 points in September, to 70 percent, in the wake of violence after Netanyahu's opening of an entrance to an archaeological tunnel near the Western Wall in Jerusalem, an act that many Palestinians saw as part of an Israeli campaign against the nearby Muslim holy sites. It dropped to 60 percent in April 1997 when Israel announced its intention to build the Har Homa settlement in Arab East Jerusalem. The ensuing deadlock in the peace process has kept the level of support for Oslo below 70 percent for the 12 months leading up to March 1998. Support for the peace process also extends to a willingness to remove the anti-Israel sections of the Palestinian charter, but that too has waned as frustration has set in.

As the peace process progressed, Palestinian support for violence against Israeli targets declined. Opposition to terrorism depends on diplomatic movement, national reconstruction, and Arafat's leadership. Support for attacks against Israelis has dropped from 57 percent in November 1994, to 46 percent in February 1995, to 33 percent a month later, and to 21 percent in March 1996—all dates of major suicide bombings by members of Hamas or Islamic Jihad.

But frustration creates a constituency for terror. Israel's response to violence, including a policy of closing off the West Bank and Gaza to Israel proper, threats of cantonization, and the infliction of collective pain and suffering, led to a rise in support for violence among Palestinians after months of steady decline. One significant jolt occurred in the spring of 1997 in response to the groundbreaking at Har Homa. Ominously, violence is popular among Palestinian university students. Almost 60 percent advocate armed attacks against Israeli targets, while only 25 percent oppose them. Moreover, 70 percent believe that armed resistance is a realistic option for Palestinians if the current negotiations fail.

Nonetheless, a clear majority of Palestinians not only rejected terrorism against Israelis but also backed the March 1996 PA crackdown against the Islamists after the bus bombings the

Frustration over the peace process creates a constituency for terror.

month before, knowing full well that the raids sought to prevent further attacks on Israelis. Only 32 percent opposed the reprisals against Hamas. To most Palestinians, Islamist terrorism slows the return of West Bank land, undermines the Palestinian economy, boosts the Likud, and pushes the PA to focus on Israeli security at the expense of Palestinian democracy and civil liberties.

OSLO'S ENDGAME

THE SECOND stage of Oslo is the final status talks, which address the most fundamental issues of the Israeli-Palestinian conflict. Palestinian public opinion displays a certain flexibility on some of the most important questions of final status, as seen in its reaction to the release of two versions—one Israeli, one Palestinian—of a proposed peace settlement negotiated in 1995 between the PLO's Abu Mazin and Yossi Beilin of Israel's Labor Party. The Abu Mazin-Beilin plan dealt with a demilitarized Palestinian state, territorial exchange, settlers, refugees, security arrangements, and Jerusalem. Palestinian reaction to the two versions, one favoring Palestinian sensibilities, the other favoring Israeli ones, is highly instructive.

For Palestinians, statehood is a *sine qua non*. A final status plan that did not grant Palestinian independence would be doomed on the Palestinian street. Moreover, Palestinian opinion would buck any resolution that did not give the new state of Palestine the vast majority of the West Bank and the entire Gaza Strip.

The Palestinians, however, are quite flexible about security arrangements to ease Israeli jitters. The most important of these, demilitarization of a Palestinian state, would almost certainly be acceptable to Palestinian public opinion, so long as the state comprised most of the West Bank. Fifty-two percent of Palestinians supported the establishment of a sovereign but demilitarized state in 95 percent of the West Bank and all of Gaza, but support dropped to only 16 percent if the state took up a smaller area of the West Bank. Palestinians would also probably tolerate continued security cooperation with Israel and a limited Israeli troop presence.

On two other contentious issues, settlements and refugees, the Palestinians are also flexible. About a third of Palestinians would accept

Israeli annexation of some settlements, amounting to 5 percent of the West Bank. Over 40 percent of Palestinians support having the settlers remain, under Palestinian sovereignty and law. As for one of the central grievances of Palestinian nationalism—the plight of the refugees who lost their homes during the fighting after Israel was established in 1948—many West Bankers and Gazans have abandoned the refugees’ dream of returning to homes in present-day Israel. Instead, they would have the 1948 refugees settle for a “right of return” that exists only in principle, accompanied by an actual return to a Palestinian state in the West Bank and Gaza.

The stickiest of the final status issues is Jerusalem. Here, the Palestinian street gives Arafat little room for maneuver. The Abu Mazin-Beilin agreement suggested leaving Jerusalem as Israel’s undivided capital while establishing a Palestinian capital in Abu Dis, a Palestinian village adjacent to Jerusalem but technically outside its municipal boundaries; al-Aqsa and the Dome of the Rock, the two mosques atop al-Haram al-Sharif, would be placed under Palestinian sovereignty. This arrangement won only 9 percent support. The Palestinian version of the plan, which spoke of the Arab neighborhoods of East Jerusalem reverting eventually to Palestinian control, managed to get 27 percent support, but such additional territorial concessions in Jerusalem would be unthinkable for even a dovish Israeli government.

Worse, about half of Palestinians say that final status talks with Netanyahu are doomed to failure. Palestinians flatly distrust Israel’s leaders. When asked whether they trusted Israeli government intentions toward the peace process, only 7 percent said yes, while 81 percent said no. The suspicion intensified after the election of Netanyahu and the groundbreaking at Har Homa, rising to 91 percent in March 1997. By contrast, more than half the Palestinians saw the Israeli public as genuinely wanting Palestinian-Israeli peace.

The Palestinians, then, are flexible enough that there is a final status deal to be cut, if Israel wants it. But even though most Palestinians say that they believe in the good intentions of the Israeli public, they think that Netanyahu has no intention of ending the Israeli-Palestinian conflict.

REBUILDING A NATION

NATIONAL RECONSTRUCTION is key to continued Palestinian support for Oslo, Arafat, and peace. As Israel began to withdraw, the resultant power vacuum was filled by popular organizations, strengthening Palestinian civil society. Oslo also led to the first general elections in modern Palestinian history, which consolidated the legitimacy of the PA and, with it, a new Palestinian political order. Even so, democratization has not been easy. Corruption and mismanagement by the PA sap Palestinian confidence in the peace process much more than the lack of economic growth. If the PA's performance here does not improve, it will alienate the bourgeoisie, one of the key constituencies for the peace process. Support for Oslo could collapse if the nation-building project falters further.

Palestinian reactions to the national reconstruction process mix hope with disillusionment. The establishment of the PA has led 62 percent of Palestinians to say they believe that a state of their own will indeed be established in the next few years, up from only 44 percent when Oslo was signed in September 1993.

Arafat's leadership is essential. He remains the pillar of Palestinian politics. Positive evaluations of his performance have risen steadily, with only minor hiccups. As the newborn PA floundered in November 1994, Arafat's favorable rating stood at 44 percent. It rose to 58 percent in October 1995, after the signing of the Taba interim agreement. One month before the January 1996 elections, support for Arafat stood at 69 percent. He won resoundingly, and the opposition's call to boycott the voting was ignored. In contrast, support for Sheikh Ahmed Yasin, the leader of Hamas, dropped from 20 percent to 14 percent between November 1994 and October 1995; in the same period, support for George Habash, the head of the PFLP, dropped from 7 percent to 3 percent. Today, Arafat's positive rating stands at about 75 percent.

The rest of the PA gets more mixed reviews. Men, the more educated, and supporters of opposition groups tend to be more critical than women, the less well educated, and Fatah supporters. Positive evaluations of the security services have been very high, standing at about 80 percent today, as have those of the cabinet's performance, which are about 60 percent. The executive has done

particularly well in education, health, public order, and security.

The PA gets its worst ratings on economics. Only about a fifth of Palestinians approve of the PA's economic performance, but the implications for continued support for Arafat are surprisingly small. Most Palestinians blame their economic woes on difficulties in the peace process, not PA incompetence.

They are less forgiving of corruption, the second key area in which public criticism has been rising during the past two years. In 1996, 49 percent of Palestinians said PA institutions were corrupt, a figure that has since risen to around 60 percent. Moreover, exactly half the population expects corruption to increase or remain constant, reflecting public skepticism about PA assurances that it would root out graft. Belief in the existence of corruption is higher among males, the young, the more educated, and supporters of the opposition—all constituencies who could cause political trouble for Arafat.

A third key area in which public criticism is widespread is democracy. Palestinian views of the status of democracy under the PA have been consistently negative. Only about a quarter of the population say that the Palestinian political system is moving toward democracy. The PA's legislative branch, the Palestinian Legislative Council, has been a disappointment, and most Palestinians, despite their hopes for a more open political process, see the PLC as largely overridden by Arafat. A clear majority of Palestinians say that one cannot criticize



the PA without fear. Similarly, only about a quarter of Palestinians describe the press in the Palestinian areas as free. Palestinians rank their democracy behind those of Israel, the United States, and France, and ahead of Jordan and Egypt—neither heretofore known as bastions of civil liberties. Perceptions of the democratization process are associated with the same independent variables as corruption, with greater skepticism from males, the young, the more educated, and supporters of the opposition. These numbers show an intriguing sophistication. The democratic systems of Israel and America get high marks not only among supporters of the peace process but also among supporters of the opposition, including the Islamists. For example, fully 80 percent of Hamas supporters describe Israeli democracy as good or very good, and 71 percent of them evaluate American democracy as good or very good. Almost across the board, Palestinians know quite clearly what kind of democracy they admire. They also know they do not have it at home. Their dissatisfaction poses a major threat to the continued dominance of Arafat, Fatah, and the nationalist center.

WHAT RABIN KNEW

As THE Oslo process has unfolded, its inadequacies have become clear. The open-ended and transitional nature of the Oslo agreement bred ambiguity, conditionality, and reversibility. In theory, Oslo sought to transform the Israeli-Palestinian political and psychological environment, building confidence during the interim phase to let the sides eventually tackle the thornier questions of final status. In reality, its two-step approach let each side raise its own expectations. When these remained unfulfilled, disillusionment set in, impeding further progress.

Moreover, postponing the most painful issues until the final status talks gave Oslo rejectionists one last chance to use violence and create what the settlers call “facts on the ground.” The disparities in power between Palestinians and Israelis let the strong—the Israelis—dictate the pace and scope of progress in the implementation of the agreements and led the weak—the Palestinians—to conclude that an alternative to negotiations must not be completely ruled out. Neither side has been willing to completely give up its negotiating assets, including territory, jurisdiction, and, most grimly, the ability to

inflict violence, pain, and suffering. As such, Palestinian society has hedged its renunciation of terror. On the Israeli side, violence from radicals like Baruch Goldstein, the settler who massacred 29 Palestinian worshipers in a Hebron mosque in 1994, and a siege of bulldozers and border closures by the Israeli government rocked Palestinian confidence in the PA and the peace process.

The key to continued Palestinian support for Oslo is Arafat himself. If he were to leave the scene, the pro-peace camp would be in grave trouble. Indeed, the main constituency for peace comes from Arafat's Fatah movement, defers to his leadership, and sees him as the unchallenged leader of Palestinian nationalism. Arafat remains the most potent symbol of the Palestinian revolution. As such, he cannot be touched, despite the shortcomings of Oslo, national reconstruction, and the transition to democracy. Arafat's loyalists oppose Islamist violence and fully support the peace process because it is Arafat's chosen path, his "peace of the brave." This group, which tends to come from the ranks of the less educated, less liberal, and less democratic, forms the backbone of the PA's security forces and dominates its bureaucracy. Its top priority is the peace process, framed as the ending of the hated Israeli occupation and the building of a Palestinian state. Economic development, institution-building, and democratization are secondary. So long as Arafat does not abandon peace, this group will not abandon it or him.

The other main constituency for peace is the Palestinian bourgeoisie and intelligentsia. While they are secular nationalists who support Arafat's peace strategy, they are less impressed by his leadership, especially in the domestic sphere. Their support for the peace process stems from a desire to build both a national home and a democratic state. The bourgeoisie tends to be composed of more educated, older professionals with an affinity for liberal democracy. Their support for the peace process depends less on Arafat himself than on the PA's ability to respect civil liberties and build state institutions that are efficient, democratic, and free of corruption.

If the Palestinian Authority remains corrupt, support for Oslo will dwindle.

The keys to support of the peace process are Arafat's leadership and a successful national reconstruction effort. Economics are strictly secondary or even irrelevant. Although two-thirds of Palestinians believed initially that the Oslo agreement would pay economic dividends, support for the peace process remained strong despite their deteriorating economic situation. In fact, most West Bankers and Gazans actually blame their economic difficulties on Oslo. In 1997, 57 percent said that the peace process had a negative impact on the Palestinian economy. Similarly, in 1995, only 8 percent reported that their personal economic situation had improved since the beginning of the peace process, while 53 percent reported that it had worsened—statistics that show little sign of changing. More to the point, Gazans are usually more supportive of and optimistic about the peace process than their West Bank counterparts, even though unemployment rates in the Gaza Strip have consistently been much higher than in the West Bank. Moreover, Gazans are more likely than West Bankers to assess their economic conditions as having been hurt by the peace process—which they nevertheless continue to support.

Economic failure does not erode Palestinian faith in the peace process, but diplomatic stagnation and attacks on democracy do. If the talks with Israel remain stalemated and the PA remains corrupt, disdainful of civil liberties, and mismanaged, backing for Oslo will continue to dwindle. Arafat's presence at the helm minimizes the risk of such reversals. But if the deadlock of the peace process is coupled with a Palestinian failure at the task of national reconstruction and, crucially, Arafat's departure from the scene, any remaining Palestinian constituency for the peace process will quickly evaporate. The countdown to violent confrontations and regional instability would begin. Inevitably, the young and educated—the most active, idealistic, disillusioned, and uncompromising, and the least burdened with personal responsibilities—would ignite any future violent outbreak. The next few years are crucial.

Above all, one should not write Hamas off. The same traditionalism that limits the appeal of the DFLP and PFLP provides a strong basis for expanding Hamas' influence. In the spring of 1997, some senior Palestinian officials were wary of holding local elections for fear that the Islamists might win. A memorandum written to Arafat in April

1997 by a senior security official warned of a new Hamas strategy of winning control of local councils and municipalities—the same plan the Islamists used in Algeria. The memorandum cautions that this would be the first step toward the creation of a parallel authority that would eventually usurp the PA. Arafat faces a painful dilemma: if he limits democracy to thwart Islamist infiltration into local government, he will further alienate one of the peace process' key constituencies, the national bourgeoisie. But the more open Palestinian politics are, the more susceptible they are to permeation by Hamas.

After the bus bombings of early 1996, Arafat was willing to crack down on Hamas and Islamic Jihad. He had just been legitimized by his election landslide, and he saw clearly that the Islamists threatened to marginalize him and undermine his Israeli partners in Oslo. Arafat's strategy has not been to eradicate terrorism or destroy Hamas' infrastructure and the social welfare network that gives it such deep public support. Rather, he has sought to marginalize the Islamists—to divide and discredit them, not destroy them. Ideally, Arafat would even like to co-opt them and bring a more manageable Hamas into the new Palestinian political process. There are some potential benefits to Arafat in keeping Israel nervous about renewed terrorism, and Hamas could even be an asset to be activated if negotiations failed.

The situation today is dire. If Arafat and the national movement fail, the Islamists could take the initiative. It is only amazing that they have not done so already. Hamas remains the sole credible alternative to Fatah and the mainstream nationalists. Those who have deserted the Islamists have not changed loyalties; most have simply sat on the sidelines. They could become a reservoir for an Islamist revival. One of the main reasons that Yitzhak Rabin, known in Israel as "Mr. Security," went to Oslo was his fear that his choice was to deal either with the PLO today or Hamas tomorrow. Binyamin Netanyahu faces the same choice. He does not act like he knows it.🌀

Algeria's Army, Algeria's Agony

Labouari Addi

THE REAL POWER IN A TERRORIZED LAND

WESTERN OPINION is surprisingly untroubled by Algeria's anguish, which has lasted more than six years and claimed almost 100,000 lives. The two main reasons for Western indifference are hostility toward the Islamist rebels, who are widely seen as intolerant, and the opacity of the Algerian political system. To penetrate the fog and understand the crisis, one should focus less on the Muslim fundamentalists and more on the key player in Algeria's politics: the army.

Islamist guerrilla warfare broke out in January 1992, after the army canceled elections won by the Islamic Salvation Front (FIS). Blocked from running the state, the FIS was banned in March 1992. A subsequent crackdown drove its moderate wing to rejoin the radicals, who resorted to violence after the elections' annulment. The Islamists targeted military vehicles, barracks, the police, and government buildings. Another Islamist organization, the Armed Islamic Group (GIA), then appeared and went even further, killing intellectuals, journalists, women, and foreigners and massacring villagers in western Algeria. But the lack of information about the GIA murders bred widespread skepticism about the group's identity. Many observers suspect that the GIA is a product of the state's intelligence service, designed to discredit the Islamists. These suspicions have been heightened by the Algerian government's sharp refusal to allow any international inquiry into the massacres.

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MAGNUM PHOTOS/ABBAS

*Unmasking Algeria's mystery men:
A gunman of the Comité de Vigilance militia, 1995*

Violence is erupting in Algeria in an almost total information blackout. This is hardly by chance; the regime has always preferred the clandestine to the transparent. Only the tip of the iceberg, the most insignificant area of decision-making, is visible. Understanding Algeria's crisis and its possible resolution requires looking beyond the Islamist movement, the focus of most Western attention, to the

country's political structure and to the real power in a terrorized land: the army. The Islamists are not the only ones resorting to violence.

The state's power, inherited from the war of liberation from France of 1954-62, takes two forms: the army and the government. This dates back to the dichotomy between the general staff of the National Liberation

Increasingly, Algeria is
run by a military caste
that is above civil law.

Army (ALN) and the Provisional Government of the Algerian Republic (GPRA). The GPRA was set up in 1958 to represent the National Liberation Front (FLN) abroad, mobilize the funds needed to organize the anti-French underground, and support the refugees who had fled to Morocco and Tunisia. But the general staff of the ALN was actually in charge of the revolution. When the war ended, the army "dismissed" the GPRA and took over the new state. Thirty-six years after independence, the government still implements the policies chosen by the army.

Although the army exercises sovereignty and sees itself as Algeria's supreme authority, with the Council of Ministers merely running the administration, it does not form a homogeneous whole. It is made up of several structures—including the national police, the military security force, and various military districts—that are all formally subordinate to the general staff but nonetheless retain some autonomy. In addition, the officers in charge have their own networks of supporters, which make them even more independent of the authorities. The government, of which the army and police are supposed to be the secular branches, is short-circuited by a system outside the official power structure.

This is why repressive measures against the Islamists are both uncoordinated and totally outside the law. Special military units in hoods arrest people, who then disappear without their families ever knowing which section of the army is responsible. This illegal state of affairs has arisen because soldiers are trained to believe that they alone are responsible for keeping civil peace. They need not account for their actions before the courts or the people.

The government, including the president, lacks the authority to punish the men conducting the antiterrorist war. Overzealous officers are accountable to no one, and no judge can autonomously investigate attacks or murders. The situation has slipped out of hand. Reports by

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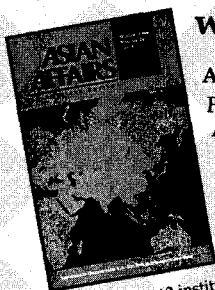
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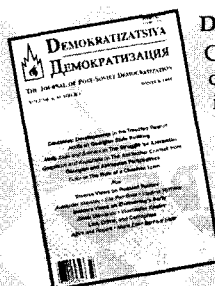
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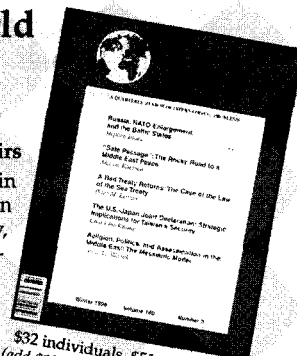
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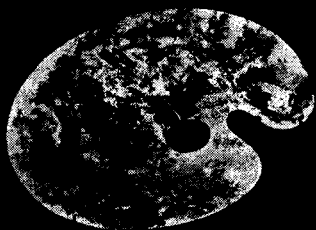
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international human rights organizations make it clear that the army's war against Islamist terrorism is being waged with no regard whatsoever for the law.

Military die-hards are constantly trying to ensure that there will be no turning back for Algeria. Their response to the rise of the FIS was murder, torture, and collective reprisals. Similarly, after the recent massacres were blamed on GIA fundamentalists, the army's secret services embarked on a strategy of terror aimed at bringing the FIS to its knees so the generals can impose their own conditions on the Islamists if the regime agrees to negotiations.

GUARDIAN OF THE STATE

ALGERIA'S AGONY has lasted for more than six years because the army is the backbone of the regime. In times of crisis, the top military brass meet in conclave. It was they who decided to cancel the 1992 elections after the first round gave the lead to the FIS and to nominate instead Liamine Zeroual for the presidency in November 1995. The generals' informal meetings are not reported in the press—understandably, since the constitution does not provide for them.

The criteria for taking part in these conclaves are unknown. The participants are thought to include officers from the general staff and the heads of the central services of the defense ministry, the military districts, the national police, and the domestic security force—in other words, men who have a certain autonomy in the way they use the forces of law and order. Given the importance of the decisions it makes, this informal assembly is, in fact, installing itself as a sovereign body. Increasingly, Algeria is run by a military caste.

The system works only if the military figure appointed as head of state cooperates. A president who takes literally his constitutional role as supreme head of the armed forces critically upsets the balance of power. Hence Houari Boumedienne's coup d'état against Ahmed Ben Bella in June 1965, the forced resignation of Chadli Bendjedid in January 1992, and the tragic disappearance of Mohamed Boudiaf in June 1992.

According to the scant information available, the general staff and President Zeroual disagreed sharply in the summer of 1997. The generals suspected the president of wanting to negotiate a civil peace

with the FIS, against the wishes of the commanding officers who had decided to cancel the 1992 elections. To frustrate the president, the army chiefs apparently negotiated a cease-fire in October 1997 directly with the Islamic Salvation Army, the armed branch of the FIS. The object of this maneuver was to prevent Zeroual from posing as the architect of peace in order to boost his popularity and acquire greater independent power. The recent revelations by deserters that the security services were implicated in some of the recent massacres and killings could be another turf battle between army factions, some supporting the general staff and others the president.

It is as if the army is above civil law. In fact, in terms of prerogatives and authority, the judiciary ranks below both the army and the civil service. Reduced to settling disputes between ordinary citizens, a judge plays no part in resolving conflicts between important figures. He is merely an official in the government administration, subject to its hierarchy, and does not apply the law as he would in any other constitutional state.

Yet the government still has some powers because it organizes the allocation of Algeria's financial resources. The army lays down the major economic guidelines, but the government divides oil revenues between various ministerial departments, determines the structure of investment, and chooses trading partners in Algeria and abroad. The government thereby legalizes the transfer of some oil revenue to its network of clients, both military and civilian—an especially important dynamic now that the economy is moving toward privatization and joint ventures. Still, the government's composition reflects the political line of the army, whose various factions nominate their protégés as ministers. Those appointed have two briefs: to stand up for the general interests of the regime and to show their loyalty to the faction that appointed them.

SMASHING THE THERMOMETER

THE GOVERNMENT is not directly responsible for security policy, which comes under the army's purview, but it lends a semblance of legality to all acts of repression. The anti-Islamist war is being conducted on three fronts: underground, in the economy, and in the media. By controlling the national media and information to the outside world, the authorities like to believe they have won the

battle on the other two fronts—as if smashing the thermometer was the way to lower the temperature.

Looking through Algerian newspapers, a reader might feel that he was living in a country where social and economic life was more or less normal, apart from occasional massacres by desperate bandits who are about to be apprehended. That is because even the “independent” newspapers are censored, and everything in them must be filtered through official channels. Journalists must depict the Islamists as criminals, and no one can report on the army’s illegal and arbitrary methods. Editors and reporters have been imprisoned for publishing information “prejudicial to security and to the forces of law and order.”

Countless questions about the killings of journalists and artists and the massacres of villagers remain unanswered. Given the reluctance of the authorities to throw any real light on these tragedies, rumors are rife about the identity of the terrorists. It is said—and only a committee of inquiry could confirm or refute this—that the regime is pursuing a strategy aimed at discrediting the Islamists, presenting them as criminals who rape and kill young women, strangle children, burn down schools, and murder intellectuals. These charges imply government involvement in the massacres.

What is the truth? Official information on the atrocities remains scarce. The perpetrators are never taken alive or brought before the courts. Since there is no freedom of the press, the media confirm the version put forward by the authorities. The army has no intention of letting an international inquest try to uncover the truth.

AN ENFEEBLED OPPOSITION

FOR A LONG time, the Algerian regime did not need a political party to perpetuate itself. The only function of the lone party, the FLN, was to manage the symbolic gains from the liberation war. But after the outbreak of riots in October 1988 over corruption and miserable living conditions, the army accepted the establishment of a multiparty system. The generals saw the reforms as a way to reinvigorate the FLN by holding elections that its rivals would not be allowed to win.

The regime tolerates opposition, however biting, provided it does not undermine the government’s authority. The regime sees its legitimacy

as rock solid since it resides in the army, which in turn derives its authority from Algeria's revolutionary struggle and from the need to guarantee the nation's unity and defend its borders.

For its part, the army believes that the composition of the government should simply reflect the forces that have emerged since independence, as well as the influence of powerful patrons. Elections are purely about formal powers, meaning government offices. The loyal opposition can compete as much as it wants, provided it does not question the preeminence of the army. Hence the discreet negotiations to win

Algeria's democrats
discredit themselves by
failing to denounce the
repression of Islamists.

over various opposition figures by offering them government posts, which does no harm since they will wield no real power.

The opposition can oppose the government but not the overall system. The FIS was disbanded in 1992 precisely because its victory in the elections threatened the regime. The elections would also have been

canceled had another party won by a similar margin. In the eyes of the powers that be, the purpose of a multiparty system and elections is to strengthen the regime by giving it a democratic gloss, not to replace it.

The main parties, then, can be classified by their attitude toward the regime. Parties supporting the regime include, first and foremost, President Zeroual's National Democratic Rally (RND). Set up in February 1997, it enjoys the logistical support of the administration, which ensured that it won the last election. Next comes the FLN, whose previous secretary-general, Abdelhamid Mehri, signed the Rome platform—a 1995 national reconciliation pact between the Islamists, socialists, and others, endorsing free speech, electoral politics, and an end to violence. But Mehri was overthrown, and his successor, Boualem Benhamouda, denounced the pact, as did the army.

Other parties oppose the government but support the army, such as the moderate Islamists of Ennahda; the former communists of Ettahaddi; the Algerian Renewal Party, led by Nouredine Boukroh; the Social Peace Movement of Mahfoud Nahnah; and the Rally for Culture and Democracy, led by Saïd Saadi. The last two parties are heaven-sent for the army: the first provides it with an Islamist alibi, the second with a modernist one.

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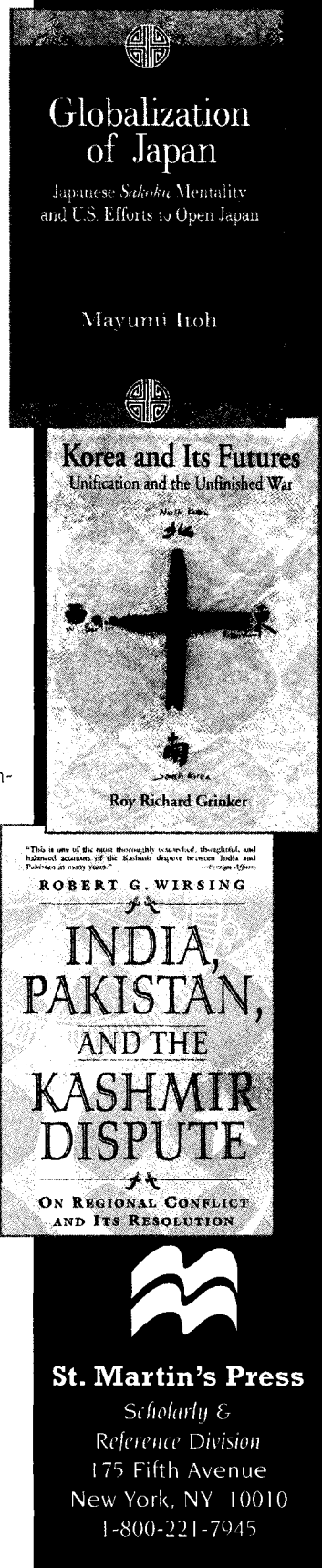
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Finally, four parties oppose the regime outright: the FIS; the Socialist Forces Front, led by Hocine Aït Ahmed; the Movement for Democracy in Algeria of Ahmed Ben Bella; and the Workers' Party, headed by Louisa Hannoun.

THE DEMOCRATS' QUANDARY

LEAVING ASIDE the parties nominally in power, the RND and the FLN, which would probably not exist without the support of the administration, the position of the other political parties reflects their opposition either to the army or to the Islamists, and on this basis they have formed alliances that go beyond their ideological differences. For instance, the "Rome alliance," bringing together the FIS and other anti-regime parties, tried to cement the opposition in order to force the army to abandon the political role it has played since 1962. But a group of parties more favorably disposed to using the army against the Islamists strongly condemned this entente as an attempt to legitimize the dissolved FIS.

Another difference between the non-Islamist parties lies in their conceptions of democratization. Some believe the first step should be to neutralize the Islamists, even if that means temporarily supporting the current regime; in their view, democracy means social consensus on a set of values. Others see the main task as creating the machinery for a multiparty system, even at the risk of an initial victory by the Islamists. By January 1992, the debate was moot: the army had canceled the elections and the Islamists had opted for armed resistance.

The rigging of the elections since 1991 has masked the actual support for each group. The secularist parties are divided over their positions toward the Islamists, but the lack of free speech prevents an accurate assessment of the depths of these rifts. The inability of the secular parties to agree on a strategy for ending the crisis reflects the divisions between the social groups that compose the non-Islamist electorate—civil servants, engineers, doctors, lawyers, and other liberal professionals. They all want an end to the single-party regime that the army imposed and that the FIS would like to emulate. They are regarded as democrats, even if some of their representatives try to justify the most extreme authoritarianism. Indeed, the adjective "democratic" has undergone a semantic shift in the media. It now refers to any individual

or opinion differing with the Islamists. The RND, the FLN, and even the army are now described as “democratic.”

The fact that the democratic debate makes no reference at all to religion limits its impact on the Algerian people as a whole. They see this omission as a sure sign that the non-Islamist parties have not broken with the regime. Public distrust of the secular parties is heightened by their recruitment from an elite that is not merely secularized but also French-speaking.

Yet the FIS’ supporters did not vote against democracy. True, they disliked the existing regime, but they also wanted more democracy. Algeria’s secular democrats did not understand the extent to which support for the Islamists reflected a desire to break with the army-dominated system and participate in political life. Conversely, the man in the street did not understand how the democrats could still call themselves democratic while supporting an army that had just canceled the elections won by an opposition party, especially since some democrats had discredited themselves by remaining silent about human rights violations suffered by the Islamists.

This attitude raises both a political and a moral problem. To become a rallying point, a party must establish its political identity in positive terms. Any movement that defines itself only in terms of what it opposes will find it difficult to mobilize support. Algeria’s putative democrats therefore cannot confine themselves to denouncing the Islamists; they must articulate an ideology based on principles such as respect for human rights, a multiparty system, freedom of the press, and free and fair elections. In Algeria’s current agony, a supposedly democratic party that does not condemn human rights violations against the Islamists has abandoned one of the principal values of its supposed political identity and thereby discredited itself.

A NATIONAL CONTRACT

IN JANUARY 1992, the pro-democracy political groups were not powerful enough to prevent the army from embarking on repression or the Islamists from resorting to terrorism. Both sides were bent on their own physical survival. But another reason why the outbreak of violence was unavoidable was the absence of any national agreement

guaranteeing the rights of the individual and those of the opposition in the event of an Islamist victory. The resultant conflict crippled and divided the democrats. Their abstract references to freedom of expression and moral condemnation of terrorism sounded like the pious hopes of impotent spectators—or, worse, of accomplices in the descent into bloodshed.

By definition, a democrat rejects aggressive violence. An Islamist, however, may be prepared to kill in the name of a religious utopia that regards the individual as a terrestrial means to a celestial end. Similarly, the nomenklatura uses the means of the state and hides behind the law to kill in order to ensure its survival.

The democrats are simply less ruthless. As such, the non-Islamist opposition is in a painfully weak position: caught between an intransigent regime that tries to exploit the democrats' weakness and an Islamist movement tempted to perpetuate the one-party system. Not only can democrats not rally to either camp, but the victory of either would weaken the democrats even more. So it is in the interests of the secular opposition to return to the ballot box. All political movements—Islamists very much included—should negotiate a minimum consensus to consolidate electoral legitimacy, ensure freedom of expression, and establish an independent judiciary. For such a compromise to be credible, the army would also have to guarantee it. If the party that won the elections breached the new contract, that would justify military intervention, provided the army had meanwhile regained the trust of the people. The army would first have to abandon its opposition to a multiparty system and its belief that it alone is the true source of power.

In the final analysis, however, Algeria's crisis can be resolved only by ending the dichotomy that lies at its roots: between an informal real power and an impotent formal power. It is time to identify the real powers that be. The army must stop interfering in affairs of state. But that means that all the political parties, including the FIS, must first agree on a national contract that sets out the rules of the game and enshrines a multiparty system, civil liberties, and electoral choice. What is at stake is not just the honor of the officers but, above all, the political future of Algeria. 🌐

Kyoto's Unfinished Business

*Henry D. Jacoby, Ronald G. Prinn,
and Richard Schmalensee*

TAKING THE LONG VIEW ON GLOBAL WARMING

EVEN WELL-INFORMED observers disagree about what the Kyoto Protocol on Climate Change will accomplish. Some gaze at its text and see a battle won. They cheer the fact that the generally richer nations participating in the protocol agreed to cut their collective emissions of the greenhouse gases that cause global warming to about five percent less than 1990 levels by early in the next century. These optimists also applaud features of the Kyoto accord designed to hold down the costs of achieving these reductions. In computing their emissions, nations can include changes in the six major greenhouse gases emitted because of human activity, not just carbon dioxide, the most important of the six. In addition, countries can factor in reduced carbon dioxide levels from changes in land use and new forestry techniques that take the gas out of the atmosphere. Groups of participating nations may comply jointly and reallocate commitments among themselves, as the European Union (EU) plans to do within a European “bubble,” and there

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is agreement in principle to some form of emissions trading. Joint implementation, under which agents in one country can get credit for reductions they achieve in another, is to be permitted between participating nations, and a new Clean Development Mechanism will provide access to these opportunities in nonparticipating countries, mainly in the developing world. Finally, emissions targets are not rigidly tied to a single year, but to averages over a five-year "commitment period" from 2008 to 2012.

Pessimists, on the other hand, see Kyoto as a costly defeat. They note that there is no solid proof that human-induced climate change will occur or that its adverse effects would be serious were it to happen. At the same time, the expense of reducing greenhouse gas emissions to meet the Kyoto targets will be substantial, and pessimists believe that the effort will make participating countries less competitive. In the darkest interpretation, the Kyoto agreement is a pact among rich nations that will cripple their economies for decades to come, made simply because today's political leaders needed to burnish their environmental credentials.

Neither of these schools of thought is correct. Still a third group, whose views are much closer to the mark, believes that Kyoto mainly postpones much-needed work on what may prove a very serious long-term challenge. To them, Kyoto is a quick political fix for a problem created at the First Conference of Parties to the Climate Convention held in Berlin in 1995. The so-called Berlin mandate instructed negotiators to seek short-term, legally binding targets and timetables for emission control for participating countries only. In the run-up to Kyoto, many leaders publicly committed themselves to this idea. Not surprisingly, avoiding embarrassment on this score became the dominant focus of the negotiations. As a result, this group argues, the Kyoto agreement allows political leaders to declare success, but it does not address the larger climate issues at stake.

Even worse, these skeptics fear that by following the Berlin mandate, negotiators at Kyoto may have made it harder, not easier, to meet the long-term challenge. Now the next decade may be spent haggling over these short-term commitments, thereby diverting attention from more important century-scale issues and postponing the involvement of the developing world. The Kyoto agreement might fail to meet

even its immediate goals if the lack of domestic support in the United States prevents ratification, which in turn would rationalize inaction by other participating nations. The entire international response to climate change could be discredited, thus increasing the difficulty of collective action in the future, no matter how serious the problem turns out to be.

To some degree, these widely divergent analyses of the Kyoto achievement reflect differing interpretations of its text, key parts of which are still the subject of strong and sometimes bitter international disagreement. Some of these points will be taken up again at the Fourth Conference of the Parties in November, but others may take years to resolve. What is in dispute is not merely the Kyoto text, of course, but the underlying science and economics of global warming. Above all, for the journey from Kyoto to succeed, policymakers will need to spend more time thinking of the long term.

A GLOBAL WARMING PRIMER

TO START with the basics, climate change can be driven by an imbalance between the energy the earth receives from the sun, largely as visible light, and the energy it radiates back to space as invisible infrared light. The “greenhouse effect” is caused by the presence in the air of gases and clouds that absorb some of the infrared light flowing upward and radiate it back downward. The warming influence of this re-radiated energy is opposed by substances at the surface and in the atmosphere that reflect sunlight directly back into space. These include snow and desert sand, as well as clouds and aerosols. (Aerosols are tiny, submicroscopic solid or liquid particles suspended in the air, such as smoke and fog.)

Water vapor and clouds, which typically remain in the atmosphere for a week or so, are responsible for most of the re-radiated infrared light. Central to the climate change debate, however, are less important but much longer-lasting greenhouse gases, most notably carbon dioxide. Atmospheric concentrations of carbon dioxide and other long-lived greenhouse gases have increased substantially over the past century. As this has happened, the flow of infrared energy to space has been reduced, so that, all else being equal, the earth receives slightly more

energy than it radiates to space. This imbalance tends to raise temperatures at the earth's surface. These aspects of the greenhouse effect are not controversial. It is also generally accepted that emissions of carbon dioxide from the combustion of fossil fuels (primarily coal, oil, and natural gas) are the most significant way humans can increase the greenhouse effect, and that this emitted carbon dioxide remains in the atmosphere for a long time, on the order of a century or so.

What is much more uncertain, and the cause of serious scientific debate, is the response of the complex system that determines our climate to changes in the concentrations of greenhouse gases in the atmosphere. Some poorly understood processes in the climate system tend to amplify the warming effect of greenhouse gases, while others, equally poorly understood, tend to counteract or dampen it. Any global warming will likely be delayed because it takes a lot of heat to warm the oceans, but it is not known just how rapidly heat is carried into the ocean depths.

To predict climate, scientists must use mathematical models whose complexity taxes the capabilities of even the world's largest computers. These models are based on incomplete knowledge about the key factors that influence climate, including clouds, ocean circulation, the natural cycles of greenhouse gases, natural aerosols like those produced by volcanic gases, and man-made aerosols like smog. Today's climate models cannot reproduce the succession of ice ages and warm periods over the last 250,000 years, let alone the smaller climatic fluctuations observed over the last century. In addition, climate models are driven by forecasts of greenhouse gas emissions, which in turn rest on highly uncertain long-term predictions of population trends, economic growth, and technological advances.

BURNING DOWN THE HOUSE?

TO HELP quantify the uncertainty in climate prediction, we and our MIT colleagues have developed a model of global economic development, climate processes, and ecosystems. We have produced seven forecasts of climate change over the next century, each of which assumes no action to restrict future greenhouse gas emissions and can be defended as possible given current knowledge. These forecasts involve changes in global average surface temperature between 1990 and 2100 as small

as two degrees Fahrenheit or as large as nine degrees Fahrenheit (roughly one to five degrees centigrade). We cannot sort out which of these paths (or other possible ones) we are heading along, although we are less likely to be on one of the extreme ones. There may be other paths involving rapid climate changes driven by purely natural processes that are not well handled by any current climate models.

Unfortunately, we know even less about the likely impact of climate change. Warming may increase storm damage, for instance, but it may also decrease it. Very little is known about the likely impact on human health or the ability of unmanaged ecosystems to adapt to shifting conditions. Civilization and natural systems have coped with climate

If you smell smoke at home, it would be silly to do nothing until you actually see flames...

change in the past and can, to at least some degree, adapt. What we do know suggests that the changes summarized by the lowest of the seven forecasts would do little harm and might even benefit some countries. Most analysts would agree, however, that the highest of our seven forecasts implies significant risks to a variety of important natural processes

including ocean circulation, polar glaciers, and unmanaged ecosystems, as well as agriculture and other human activities. Indeed, for policy-makers, the most important finding of climate research to date may be that the range of possible outcomes is so wide. Sound policy decisions must take account of this profound uncertainty, and it is plainly vital to accelerate research aimed at reducing it.

An important complement to the work on forecasts is the search for what has been called a fingerprint—evidence that would clearly reveal human influence on climate. In its 1995 report, the Intergovernmental Panel on Climate Change (IPCC) declared in its *Summary for Policymakers* that “the balance of evidence suggests a discernible human influence on climate.” Several scientists, however, subsequently questioned the scientific basis of this summary and the certainty it conveyed. Hence the hunt for definitive evidence of human-induced climate change remains an important research area—mainly because the stronger the human influence on climate, the earlier it will be possible to detect its “signal” despite the “noise” of natural variability in climate over time. The larger the

proven human influence on climate, the stronger will be the case for substantial reductions in greenhouse gas emissions.

The current debate about detection does not justify inaction. As our range of forecasts indicates, we know enough to conclude that human activity may produce significant global warming, with substantial adverse impacts. It would be irresponsible to ignore such a risk, just as it would be irresponsible to do nothing when you smell smoke at home until and unless you see flames. It would also be irresponsible, of course, to call the fire department and hose down all your belongings at the slightest whiff of what might be smoke.

WHAT IT TAKES

THE ULTIMATE goal of the climate treaty to which the Kyoto protocol is attached is stabilizing atmospheric concentrations of greenhouse gases at levels that will avoid “danger” to economies and ecosystems. No one knows what the appropriate levels might be, or even if the implicit notion of a sharp line between danger and safety makes sense. The nature of the potential task can be explored, however, by studying an EU recommendation that countries stabilize the amount of carbon dioxide in the atmosphere at roughly twice preindustrial levels, in the long run. Doing this would slow climate change but, according to most climate models, not stop it. For the middle range of MIT model forecasts, following the IPCC path to stabilization at the EU target would lower projected warming between now and 2100 by only about 30 percent, although it would produce a larger percentage reduction in the following century.

Following this EU recommendation would require very sharp cuts in global carbon dioxide emissions, however, and the current signatories to the Kyoto protocol could not do the job by themselves. If the non-participating nations were to accept no restrictions, net emissions by participating nations would somehow have to become negative by around the middle of the next century. Even a total ban on use of fossil fuels by all industrialized countries would not reach the target.

Of course, if the nations currently participating in Kyoto reduce their emissions, other nations might also eventually agree to lower theirs. Unfortunately, income growth in the most populous nonparticipating countries—including China, India, Indonesia, and Brazil—seems

unlikely to encourage voluntary efforts until the latter part of the next century. Until then, these nations will naturally be more concerned with feeding their children than with protecting their grandchildren from potential global warming. Thus, if the relatively rich participating countries want to stabilize atmospheric concentrations of greenhouse gases, they will have to pay at least some poor countries to reduce

...but you also should
not hose down the
house after one whiff of
what might be smoke.

their emissions. Achievement of substantial reduction in this way implies international transfers of wealth on a scale well beyond anything in recorded history.

There is no effective political support for such a herculean effort, particularly in the United States. Given the uncertainties discussed above, such an effort would make

little economic sense in any event. The groundwork, however, must be laid now to preserve any hope of someday mounting such a response. Future generations will find three legacies especially valuable: participation of all countries in climate-related actions, development of new technologies to lower the cost of emissions control, and the creation of institutions for cost-effective multinational action.

First, a substantial reduction in global emissions will require something close to worldwide participation, so it is essential to build a climate agreement that can encompass countries not currently participating in Kyoto—including most of the developing world. Such an accord must include a way for these countries to gradually accept the burdens of emissions control. Equally important, it must also anticipate a regime to govern climate-related transfers of resources to countries that cannot bear the cost of emissions reduction.

An exclusive emphasis on the relatively wealthy nations participating in Kyoto is a double-edged sword. If rich nations do not control their emissions, poorer ones are unlikely even to consider slowing theirs. But carbon dioxide emission controls will raise the cost in participating countries of manufacturing those goods whose production requires substantial energy. For these products, industries in developing countries will gain an advantage over industries in countries that abide by Kyoto. Once they have invested in production facilities,

nonparticipating nations will be more reluctant to take emission-control measures that threaten these activities.

Second, it will be nearly impossible to slow warming appreciably without condemning much of the world to poverty unless energy sources that emit little or no carbon dioxide become competitive with conventional fossil fuels. Only a large R&D effort can have any hope of bringing this about, although it would be cheap relative to the cost of dramatic reductions in carbon dioxide emissions using current technologies. The range of technological options is wide—from using solar power to produce electricity to converting fossil fuels to hydrogen fuel and storing (underground or deep in the ocean) the carbon dioxide produced as a byproduct. Few of the alternatives currently under discussion, however, can be widely used at reasonable costs without fundamental improvements.

Finally, since climate change will be a high-stakes global issue for many decades, the world must begin to develop international institutions that will facilitate policies that minimize the cost of reducing greenhouse gas emissions. For starters, this requires solving the monitoring and enforcement problems necessary to implement efficient international trading of rights to emit greenhouse gases (or to implement internationally harmonized taxes on greenhouse gas emissions). It also requires an institutional structure that can exploit the cheapest abatement opportunities, wherever they may be found, and a decision-making process that can adjust policies to reflect changes in scientific knowledge and economic development.

This is a tall order. The international trade regime developed under the General Agreement on Tariffs and Trade, now the World Trade Organization, hints at the difficulties involved. This regime grew and evolved over time, adding countries and goods along the way, peacefully resolving conflicts between national economic interests, and contributing importantly to global economic growth. By the standards of international affairs, the WTO has been a stunning success, but it took 50 years of hard work—even given an intelligent, forward-looking design at the outset.

If rich nations do not control their emissions, poor ones will not even consider slowing theirs.

A KYOTO REPORT CARD

KYOTO'S RESULTS are mixed. The agreement failed miserably at including poorer countries. Until the last minute, the negotiating text at Kyoto contained a provision allowing a nonparticipating nation to choose, at any time and on a voluntary basis, a level of emissions control it felt was appropriate to its circumstances. This "opt-in" provision made sense as an opening to wider participation, particularly since some nonparticipating nations, like Singapore, are wealthier than some participants, like Romania. Several nonparticipating countries supported the idea, but the provision was struck from the protocol because key developing countries—especially China and India—strongly opposed adding any avenues that could lead to emissions limits for them. For their part, the developed countries were unwilling to risk deadlock on this issue and let Beijing and New Delhi have their way.

Investment in research and development on new long-term technical options was not even discussed. One phrase calling for parties to "cooperate in scientific and technical research" was tucked away in the text, but that was all; no nation was obliged to devote any resources to R&D. Politicians love to call for more research instead of more regulation, but there is little commitment to the long-term development of greenhouse-friendly technology by those countries most capable of producing it.

The news from Kyoto is more encouraging regarding provisions to facilitate flexible, cost-efficient policies for controlling emissions. Including multiple gases was a step in the right direction. In principle, schemes like the Clean Development Mechanism may encourage making emissions reductions wherever they are least expensive. But these systems give credit for specific emissions reductions, and U.S. experience with similar policies indicates that the administrative and transaction costs of the required project-by-project approval process are likely to limit their benefits substantially. Most important, the Kyoto provision that in principle allows the trading of rights to emit greenhouse gases, if implemented effectively, would yield major reductions in cost.

Other features built into Kyoto to create more flexibility give less cause for celebration. The provision for multicountry "bubbles," within which national emissions limits can be adjusted as long as the total is

kept constant, is an artifact of short-term political convenience. The creation of such a bubble for the EU is entirely consistent with other EU institutions. It provides a mechanism for differentiation within the EU while its leaders seek uniform commitments from non-Europeans. The application of the idea to other groups of nations emerged as Washington's defensive response to widespread and continuing opposition to emissions trading. If full-fledged trading were ultimately lost, at least some flexibility might be gained in the short term through government-to-government shifting of quotas. While such arrangements may reduce costs over the next few years, they will not provide flexibility in the long run, and they might make it harder to realize the benefits of full global trading by balkanizing the market.

The inclusion in the Kyoto protocol of credits for "carbon sinks"—increases in the removal of carbon dioxide from the atmosphere because of post-1990 changes in land use and forestry practices—is another double-edged sword. In principle, measures to encourage the use of these sinks should be covered by Kyoto because they may be cost-effective for some countries. Land vegetation is already removing carbon from the atmosphere, on balance, probably spurred by increased plant growth caused by rising atmospheric carbon dioxide. The uncertainties are great, but central estimates in the IPCC report indicate that for the world as a whole, the net removal of carbon dioxide from the atmosphere in this way amounts to about 30 percent of current emissions from the burning of fossil fuels. For countries with large forests, such as the United States, Canada, and Russia, biological sinks may play an important role in their emissions accounting. With stakes this large, and with ambiguity inherent in the protocol's definitions of the 1990 baseline and of increases in removal by sinks, fierce debates about measurement and accounting are already under way. The sinks issue could easily become a troubling diversion.

Finally, it is important to be clear-eyed about the risks involved in the core agreement of the Kyoto protocol: national targets and the 2008-12 timetable. On the positive side, the Kyoto targets are a start toward a long-term solution. If participating countries meet the 5 percent

Kyoto failed miserably at including poorer countries in the effort against climate change.

reduction goal and stabilize their emissions at that level for the rest of the century, then—with no restrictions on nonparticipating nations—warming by 2100 will be reduced by about 16 percent. Also, these initial cuts could have important symbolic value, providing incentives for R&D and laying the groundwork for broader national participation. The risk is that these advantages will be lost, and worse, if the emissions reductions agreed to in Kyoto are not met—as they probably will not be. The longer any nation delays adopting serious controls on greenhouse gas emissions, the higher the cost of meeting its Kyoto obligations and the more difficult it will be to generate the requisite domestic political support. The current U.S. policy involves a long delay, which is likely to discourage earlier action by other participating nations fearing a loss of international competitiveness.

The current U.S. climate plan has two main provisions. First, the Clinton administration has asked Congress for \$6.3 billion over five years for a technology initiative offering tax incentives and R&D expenditures “to encourage energy efficiency and the use of cleaner energy sources.” Second, after a “decade of experience, a decade of data, a decade of technological innovation,” the plan holds that whatever administration is in office in 2007 will cap U.S. greenhouse gas emissions and institute a domestic system of tradable rights to emit. Unfortunately, under current policy, the end of the “decade of opportunity” is likely to find U.S. emissions 20 to 25 percent above the 1990 level. The International Energy Agency estimates that by 2000 the United States’ emissions will be 16 percent higher than they were in 1990, and climbing. It is simply laughable to forecast that Washington would then impose a cap on emissions stringent enough to turn the energy economy around in three to five years. Moreover, the administration has promised not to send the Kyoto protocol to the Senate for ratification until developing nations commit to “substantial participation.” It is not easy to see when such a condition might be met, particularly if vigorous U.S. action is in any way needed to involve the developing world.

Thus, Kyoto is likely to yield far less than the targeted emissions reduction. That failure will most likely be papered over with creative accounting, shifting definitions of carbon sinks, and so on. If this happens, the credibility of the international process for addressing climate change will be at risk. Other outcomes are possible, of course.

Other nations may decide to move forward with emissions control despite U.S. inaction. Changes in U.S. public opinion may accelerate domestic action. Small investments in research may yield unexpectedly large near-term payoffs. Slow economic growth may hold emissions down. Still, even meeting the aggregate Kyoto target will be a hollow victory if it requires spending economic resources and political capital that would be better used to prepare for the vastly greater reductions in global emissions that may be required in the future.

NOW, THE HARD PART

EVEN THOUGH the dust has not settled from the struggle in Kyoto, preparations have begun for the Fourth Conference of the Parties (COP-4) in November. Its focus should be on the longer term.

It is most important to try again to develop a system that can include developing countries and, if necessary, transfer substantial resources to help them participate in a global effort to control emissions. Two opportunities are apparent, one recently rejected at Kyoto and the other only recently advanced there. First is an amendment to Kyoto that restores the provision that would allow nonparticipating countries to volunteer to control their emissions under flexible terms. For any nation seriously concerned with climate change, this should be a necessary condition for ratification of the Kyoto protocol. If the developing countries' opposition to even voluntary action cannot be overcome, it is probably better to scrap Kyoto and start negotiations again when opinions have changed.

Given success on this point, there may then be room for progress on negotiating the details of the Clean Development Mechanism. The protocol suggests that the "operating entities" that will decide how much credit will be given for specific emission reduction projects under the CDM might serve as intermediaries, helping to reduce transaction costs. If so, the CDM might help bring developing countries into the fold. Most studies find that emissions can be least expensively reduced in those countries, so that nonparticipating nations could, in principle, make a great deal of money selling emissions reductions to participating nations. On the other hand, the U.S. regulatory experience suggests that because it is hard to estimate precisely what emissions would have been in the absence of particular investments, the CDM could also pro-

duce red tape and plenty of administrative jobs but have scant impact on emissions. Much depends on the details to be worked out in COP-4. If those negotiations produce a heavily bureaucratic structure, perhaps burdened with taxes on trades in emissions reduction credits, it may be better to reject this proposal and begin anew.

Dealing seriously with climate change requires a substantial R&D program to produce new technologies that could bring about deep global emissions reductions and still allow robust economic growth. Such an effort should involve several wealthy participating nations. Candidate technologies include nuclear, solar, hydroelectric, geothermal, and hydrogen from fossil fuel. Methods for safe and economical long-term storage of carbon in subterranean reservoirs, the deep ocean, and forests are also important research areas, as are technologies that enhance energy efficiency. In contrast, the U.S. "technology initiative" concentrates on subsidizing the adoption of existing technologies but would spend little in the search for long-term breakthroughs. Efforts elsewhere are similarly dwarfed by the challenge.

Finally, a well-designed, durable institutional structure can significantly reduce the cost of limits on global emissions. Here, the key piece of unfinished business from Kyoto is implementing a system for trading the rights to emit greenhouse gases among participating nations. In negotiating the details of this system, now scheduled for COP-4, a focus on clear definitions, vigilant monitoring, and strict enforcement is essential. Otherwise, the market should be left unfettered. Many nations oppose trading in any form; others want to restrict its use in meeting emissions commitments. If they make it impossible to implement a plausible framework for international trading of emission rights, the Kyoto protocol is headed for a dead end, obviating the point of ratifying it.

The challenge will be developing a framework for international decision-making that can work for several decades. Building these three legacies—inclusion of the developing world, R&D, and flexible provisions for emissions reductions—will be a huge undertaking. But since no serious response to climate change is possible without them, the task merits the same sense of urgency that motivated Kyoto. When it comes to climate change, the world's work has just begun.🌍

Smashing the Iron Rice Bowl

Neil C. Hughes

15 MILLION UNEMPLOYED?

THE ASIAN financial crisis has captured headlines and the attention of millions of investors. In Indonesia, Thailand, and South Korea, the crisis' source lies in the cozy relationship between government offices, banks, and private enterprises. China's financial sector blurs the same lines as its floundering neighbors, but two decades of economic reform, rapid growth, accumulating hard currency reserves, and sound macroeconomic performance have led the Chinese leadership to believe they can avoid disaster through more reform. They aim to achieve a "socialist market economy," and its success rests on the reform of state enterprises. But Beijing's half-measures and Band-Aid solutions reveal its inability to resolve the contradictions that arise when socialism is merged with capitalism.

Symbols and slogans, always important in Chinese society, continue to provide a litany of the communist party's ideological objectives and accomplishments. Rice has been China's staple food for thousands of years, and the most important symbol of the party's economic policies has been an unbreakable iron rice bowl, which stood for the cradle-to-grave security offered all citizens. When Deng Xiaoping began in 1978 to transform China from a centrally planned economy to a more free-market economy, his

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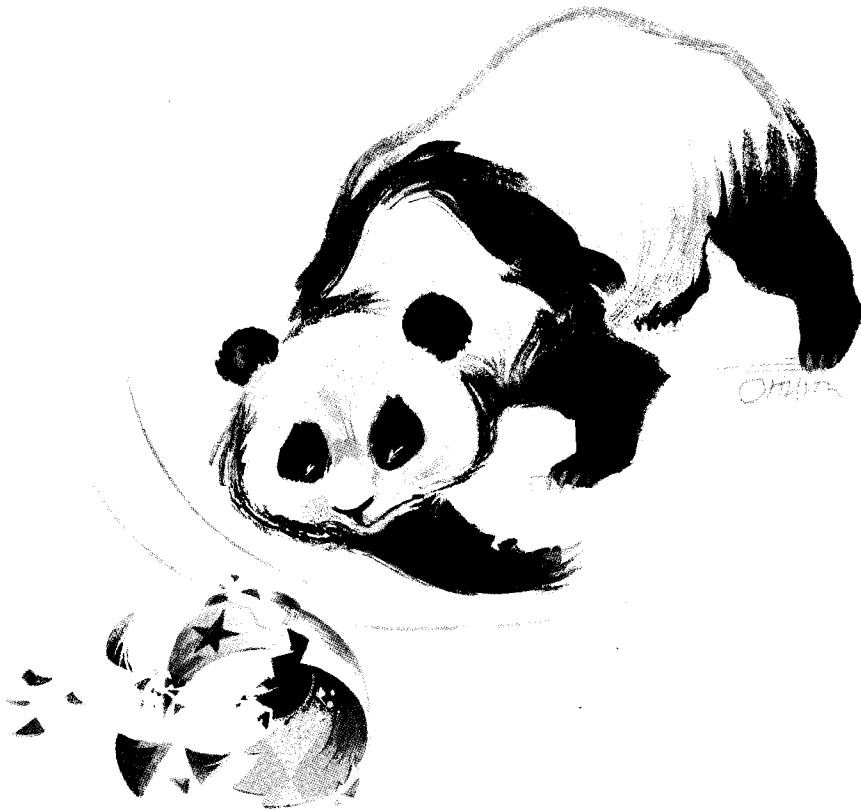
supporters insisted that the iron rice bowl had to be smashed if China was to modernize.

China's dilemma is that it is afraid to smash the iron rice bowl because it fears that the social stability that has sustained its reform program would shatter with it. Nevertheless, state-owned enterprises are foundering as subsidies are withdrawn. The government is desperately looking for buyers but they are hard to find. The budget subsidies that once sustained state enterprises and kept the iron rice bowl intact dried up as the capital needs of modernizing enterprises soared while their fiscal contributions plummeted. The government still offers some subsidies, but it will soon have no choice but to close down most state enterprises. As many as 15 million workers will be unemployed and many thousands are likely to take to the streets in protest. For Beijing, time is running out.

A SECOND TIANANMEN?

THE END of the iron rice bowl appeared implicit in the 1978 rural revolution that saw collective farming replaced by the "household responsibility system." Farmers made money from their crops, informal markets were introduced, and prices were allowed to rise above government-set floors. However, similar bold initiatives were not implemented to reform urban state enterprises; there the government's approach was much debated and more cautious. The Chinese constitution was amended in 1992, with Deng garnering the political backing and Party Secretary General Jiang Zemin providing the initiative. The revised constitution scrapped the planned economy under public ownership in favor of a "socialist market economy" with "Chinese characteristics." It also provided a rudimentary outline for a "modern enterprise system" by the year 2000, in which government administration would be separated from day-to-day operations and enterprise managers would be given nuts-and-bolts responsibility. Diversified forms of ownership, especially "privately owned, individually owned, and foreign-invested" enterprises, were welcomed. Still, public ownership at all levels of government would remain dominant.

If the socialist market economy was to be the arch supporting the new economic edifice, a reformed state enterprise system would be its keystone. China adopted internationally based accounting practices.



A new company law laid the groundwork for separating ownership and management of state enterprises. The Chinese authorities reformed the tax code, identified pillar industries at the provincial or city level, and encouraged key enterprises to consolidate into holding companies.

These reforms represented real but gradual progress, and much remained to be done. Neither the technological nor financial restructuring of enterprises had been faced, and state enterprises remained mired in inefficiency and low productivity. State enterprises continued to depend on outmoded technologies and obsolete equipment. Their payrolls were too heavy and they were obligated to provide a wide array of social services to their employees. Managers had no incentives to respond to market signals. Most important, markets for labor, capital, and technology remained undeveloped, limiting the enterprises' ability to modernize.

At the Fifteenth Party Congress in September 1997, Jiang announced that reforms of medium-sized and large state enterprises would be ac-

celerated. He proposed two new initiatives: major layoffs (laid-off workers in China still receive minimal salaries) and divestiture of smaller state enterprises through mergers, leasing, selloffs, and, in some cases, bankruptcy. Since then, the government has indicated it is willing to go much further, announcing plans to sell more than 10,000 of China's 13,000 medium-sized and large state enterprises. Jiang's message to the congress underscored that the party's leadership would be upheld since only it could guarantee stability while implementing reform. With memories of the 1989 Tiananmen Square protests still fresh, China's leaders want to be sure these reforms are handled with care. If not, they fear they will face a sequel to that tragic event.

CHINA'S ALBATROSS

CHINA IS home to roughly eight million industrial enterprises, about six million of which are referred to as family or individually owned because they have fewer than eight employees. Nearly 50,000 enterprises are also classified as "other," including private businesses that employ more than eight people and joint ventures between Chinese and foreign businesses. The rest are publicly owned as defined by the constitution but with important differences among them. Only about 118,000 are owned by government at the national, provincial, and municipal level and are classified as state-owned enterprises. However, within this group, roughly 13,000 medium-sized and large state enterprises account for most of the output.

The rest of the 1.9 million public enterprises are owned by townships and villages and are classified as collectively owned. These businesses are unregulated, have little access to the banking system, and rely on local savings and entrepreneurship. Despite these drawbacks, these collectives are outperforming state enterprises and, according to the government, account for 40 percent of total industrial output, while state-owned enterprises account for only 34 percent.

Nevertheless, state-owned enterprises dominate major mining and manufacturing sectors: coal, ferrous and nonferrous metals, chemicals, textiles, pharmaceuticals, machine tools, food processing, printing, tobacco, capital goods, fertilizer, motor vehicles, electronics, and defense. Government statistics show that state enterprises still

account for 72 percent of industrial assets, 70 percent of industrial employment, and 65 percent of industrial income tax revenues.

But state enterprises are terribly inefficient, tying up over two-thirds of industrial assets while contributing only one-third of output. Many depend on technology that is up to 50 years old. Their plants are obsolete, inefficient, and highly polluting. They survive only because of government cash and credit subsidies. Worker productivity is low. Poor management is a grave problem, with large inventories piling up in many enterprises. According to the government's most recent industrial census, almost half the 900 major industrial products surveyed came from factories operating at less than 60 percent of capacity.

Collective, individual, family, private, and joint-venture enterprises in townships and villages are often held up as examples for state enterprises to follow. They are largely unregulated and considered by some to be the embodiment of capitalism. But others see their uncontrolled growth as little more than labor exploitation. Workers at these enterprises receive no benefits, low wages, and work in dangerous conditions. In Shenzhen, a short distance from Hong Kong's skyscrapers, some workers are paid as little as 60 cents a day.

DOWNSIZING THE MIDDLE KINGDOM

A STATE enterprise is more than a workplace. It is a community that tries to provide its workers and their families with the services they need to lead productive and healthy lives. State enterprises employed about 76 million workers at the end of 1993, of which 15 million were officially estimated to be redundant. In addition, about 20 million retired workers are supported by state enterprises. But these behemoths can no longer afford to provide pensions, housing, medical care, child care, education, food, recreation, and transportation for workers and their families. Many state enterprises are attempting to spin off some of their welfare roles as separate service enterprises. But this is only a partial solution because many of these rely on their parent enterprises to provide costly social services such as housing and medical care.

The burden of pensions is being shifted to cities and counties, which have adopted unified systems based on premium rates to help spread the costs of retired workers. Most state enterprises pay 18-20

percent of their payroll into the pension system, but older industries with many retirees pay up to 25 percent. According to government statistics, 78 percent of the work force had joined pension plans at the end of 1996. Progress in other areas has been slower. Only 7 percent of workers and their families were covered by medical insurance in 1996.

State enterprises maintain hospitals, clinics, and schools and build houses for their workers. They employ one-third of the nation's medical staff and 600,000 teachers and administrators. Workers view these benefits as entitlements. But as subsidies to enterprises have been

reduced from 6 percent of GDP in 1990 to 4 percent in 1994, many enterprises have been forced to meet these expectations without government assistance.

For most Chinese,
accountability is still a
foreign concept.

The problem is especially serious for older industries with many aging workers. These enterprises tend to be unprofitable and employees see their benefits dwindling. The lucky ones have an arrangement known as "one family, two systems," which provides housing, health care, and other benefits from other family members who work as civil servants or for profitable enterprises. The unlucky ones are on their own.

Economic leadership in a state enterprise is supposed to come from the general manager, while the enterprise's party representative exercises political leadership. Recent reforms have made their respective roles more complementary, with the party secretary ensuring that the enterprise implements new initiatives. But the general manager and party representative's efforts are usually hamstrung by forces beyond their control: the vast government apparatus that controls the management of enterprise assets.

The State Council, China's highest governing body, is the ultimate owner of state enterprises. The National Bureau of State Owned Property, created to implement State Council directives, sits at the top of a hierarchy composed of state asset supervisory committees, state asset management bureaus, and state asset operating companies. Parallel to this structure are 57 large company groups under the central government, which manage state assets directly.

According to the World Bank, this multitiered network is burdened with conflicts of interest because lines of authority are unclear and

asset management organizations act as both asset owners and enterprise administrators. In addition, the central government retains a virtual veto power over the investments of these enterprises through its national planning function, which determines whether investments are consistent with the current five-year plan. Beijing's reforms have not gone far enough.

A GUESSING GAME

ALTHOUGH CHINA adopted internationally accepted accounting standards in 1993, accountability is still a foreign concept to most Chinese. The new standards give the same priority to government macroeconomic control as to enterprise management and interested third parties. Consequently, preparation of financial statements is still viewed as only a reporting exercise to a higher authority, so data continues to be manipulated to paint a financial picture that serves the enterprises' interests. Until accounting is seen as a tool for diagnosing financial health, evaluating any enterprise accurately will be impossible.

Establishing asset values is difficult because many enterprises have revalued their holdings and the Chinese cling to much longer depreciation periods than is generally acceptable. Assets are often classified on a balance sheet into categories that make identifying individual assets a guessing game.

Establishing the real costs of production is often even more painstaking. Without knowing production costs, it is impossible to determine an enterprise's productivity at each stage of production, let alone the final unit cost of production for each product. Costs are usually determined according to standard formulas rather than market prices, making it difficult to judge whether assets have been used efficiently.

China's new premier, Zhu Rongji, who is credited with reining in inflation, has said that 40 percent of state enterprises are not profitable. The World Bank believes that 50 percent is more realistic, and some say even more are in the red. Regardless of who is right, the problem is intractable. Enterprise profits are overstated and their losses understated because discussions about profitability refer to net profit after deducting enterprise costs, without taking into consideration taxes due the government or interest and principal payments due

POLLUTION WITH CHINESE CHARACTERISTICS

By law China's state enterprises—which spew vast amounts of dust, gas, liquid effluents, and toxic waste—are required to be environmentally conscious. But most of them depend on coal as an energy source and will for the foreseeable future. According to government statistics, industry accounts for 35 percent of all coal burned in China, 39 percent of all sulfur dioxide emissions, 37 percent of particles emitted into the atmosphere, and 30 percent of China's total greenhouse gas emissions. The efficiency of Chinese industrial boilers is about 60-65 percent, compared to 80-90 percent in the West. The city of Chongqing, in south-central China, may have the highest sulfur dioxide levels in the world.

The problem is not just controlling pollution but putting some distance between polluters and people. Many factories were built in the middle of cities where infrastructure was readily available. An obvious solution would be relocating the worst offenders, such as cement plants and paper and steel mills. However, the government is unlikely to support any policy that would further deplete agricultural land, which is disappearing by 1.5 percent a year.

With obsolete production lines and balance sheets deep in the red, state enterprises have no interest in expensive pollution control equipment. The environmental protection system currently in place does not adequately punish major polluters. Fines are usually small, and enterprises regard them as a cost of doing business. No matter what consensus the national government has come to on the environment's importance, the decision to clean China's rivers, lakes, and mountains is a local one. At this point China's local polluters are winning the day over those sympathetic to the environment in Beijing. - *N.C.H.*

lenders. Many enterprises are behind in their tax payments, and overdue debt is often rolled over. Between 1978 and 1995, tax revenues declined from 35 percent of GDP to 11 percent. Almost two-thirds of this decline was due to lower tax payments from state enterprises with declining profits. Many enterprises are also caught in a cycle of triangular debt in which they receive at best partial payment from customers and are therefore only able to pay some of their own suppliers. This triangular debt trap was believed to amount to \$24 billion in 1994.

The government now has new alarms going off over the rise in corruption. Two factors explain this. Decentralization of economic

decision-making from the national to local levels in the late 1970s and early 1980s presented local officials with opportunities for graft. Weaknesses in the reform program also left openings for corruption, such as asset removal, which involves stripping state assets through “spontaneous privatization” by managers and employees of state enterprises, often aided and abetted by local government officials. The government estimates the practice has cost China \$6 billion a year for the past 15 years. The formation of holding companies, the increasing popularity of mergers, and the rapid growth in joint ventures with foreign firms has led to massive movement of assets, and with them, opportunities for fraud.

READY OR NOT

STATE ENTERPRISES must modernize by importing new technologies, but they lack the capital, and their high levels of debt hinder their ability to borrow more. They cannot shed excess workers because worker mobility is limited by their ties to enterprises, and the government believes it will take 10 to 15 years to establish a national welfare system with portable social benefits. The burden of social expenditures is so heavy for most state enterprises that they have nothing left to invest. For a national welfare system to work, local governments, enterprises, and workers must all contribute. Thus there is no solution in sight for chronically unprofitable enterprises.

Beijing has established 36 property-rights transaction centers nationwide to facilitate mergers and acquisitions. It also has promoted the so-called “administrative” merger, in which a profitable enterprise absorbs a money-loser. The government encourages these mergers by granting five-year moratoriums on the interest payments from the unprofitable partner. The government also has been willing to convert triangular debts into equity share capital. In some instances the mergers are completed at the government’s insistence. Although a bankruptcy law became effective in 1988, and the government officially supports the liquidation of perennially money-losing enterprises, by 1997 only about one percent of state enterprises had initiated bankruptcy proceedings.

Commercial banks, burdened with overdue loans, are reluctant to lend more funds. Joint ventures can help only a small fraction of state

enterprises, and equity markets, still in a formative stage, cannot be expected to become a source of financing for the vast majority of state enterprises.

Most recently, the government took a giant step backward by reinstituting subsidies to try to reverse losses to China's "key industries," beginning with its most troubled industry, textiles. There are 4,031 state-owned textile firms, employing four million workers and operating 41.7 million spindles. Since 1993, the industry has suffered deficit after

About 1.2 million workers will be "diverted" to other jobs in ways not yet spelled out.

deficit. The situation is so serious that one government official stated that 40 percent of these enterprises are on the brink of collapse.

Instead of letting the market decide which enterprises should survive, the government's strategy is to trim the textiles industry by providing costly subsidies for enterprises that agree to eliminate up to 10 million spindles.

For every 10,000 spindles taken out of production, enterprises will receive a \$600,000 package of cash and low-interest loans. In addition, the government, as the owner, is swapping debt for equity by buying up bad loans from these enterprises. In 1997, \$1.2 billion in debt was converted to equity in 555 state textile enterprises, and twice this amount has been allocated in 1998. About 1.2 million workers will be "diverted" to other jobs in ways not yet spelled out.

It is unrealistic to think that the government will let go of the 1,500 to 2,000 large state enterprises that dominate heavy industry. The government will try to divest itself of the rest, but many state enterprises cannot pay their debts or meet banks' requirements for new borrowing, have little prospect of generating equity through new equity offerings, and are essentially insolvent. Voluntary divestiture is unlikely to succeed because state enterprises are not attractive investments. Government-administered mergers between strong and weak enterprises only hide the problems of the weaker enterprise. The deterioration in state enterprises can only be temporarily reversed if the government reinstates massive budget support, as in the textile industry. Although subsidies will help textile profits in the short term, they will not solve the structural problems of individual enterprises, and another fiscal fix will likely be required soon. The government cannot afford to bail out all these troubled industries.

During the 1978 rural reform, 100 million rural workers left the farms. The flow continues as expanding cities consume arable land and the disparity between urban and rural incomes widens. These migrants can be seen on the street corners of any major city, waiting for the chance to do any job that urbanites shun. The flow of rural migrants has yet to create a major political problem for the government because they left little behind and had everything to gain by seeking work in urban areas. However, the prospect of additional millions of unemployed state-enterprise workers does concern the government. Along with civil servants, state-enterprise workers are the privileged elite of China's work force. They have everything to lose if they are forced to leave their jobs. They will not go quietly.

Beijing's response to the dilemma of maintaining political leadership while promoting economic reform has been to promulgate new legislation and institutional reform without really loosening control over its enterprises. The government is reluctant to go further because it fears that more workers' rights will erode its authority beyond recognition. But the Chinese authorities realize that if they do not deliver the material necessities of life, they will face widespread urban discontent.

After 20 years of economic reform, the government is still afraid of facing the consequences of smashing the iron rice bowl. Soon it will have no choice. China must act now to build a national welfare system whose cost is shared by enterprises, workers, and national and local governments. Local governments must waste no time in setting up job retraining programs for workers in danger of losing their jobs. Both Beijing and local governments must create public works projects to provide employment during the difficult transition ahead. The iron rice bowl will be broken. The only question is whether China will be ready. 🌐

China and the Asian Contagion

Nicholas R. Lardy

SO FAR, SO GOOD

THE ASIAN financial contagion has so far left China largely unaffected. Unlike the plummeting currencies elsewhere in the region, the renminbi has appreciated against the U.S. dollar since the onset of the crisis. In real terms the Chinese economy has also fared well. In 1997 the growth of GDP, while slower than the blistering pace of the immediately preceding years, was almost 9 percent. Inflation was at a 5-year low. Exports grew over 20 percent in 1997, contributing to an unprecedented \$40.3 billion trade surplus. Foreign direct investment rose for the seventh consecutive year, reaching \$45.3 billion, and China raised an additional \$16 billion through debt and equity offerings on international markets. Foreign exchange reserves rose sharply, reaching \$139.9 billion by the end of the year, second only to Japan's.

The official outlook for 1998 is also bright. The government is predicting eight percent growth, which would make China far and away the most rapidly expanding economy in the region. It is also forecasting positive growth of imports and expects the renminbi to maintain its value. Achievement of these goals should be warmly welcomed for their contribution to Asia's financial and economic recovery.

Nonetheless, Chinese policymakers are genuinely concerned that they may contract the Asian financial contagion and have taken a number of bold steps to bolster their resistance. Unfortunately, China has many of the same structural problems that South Korea, Thailand,

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and Indonesia had, most notably, bank-dominated financial systems, weak central bank regulation and supervision of commercial banks, excessive lending, and a large buildup of nonperforming loans. It is too soon to say whether China's reforms will succeed.

CHINA'S VULNERABILITIES

EVEN IN a region in which banks dominate financial systems, China stands out. Banks account for nine-tenths of all financial intermediation between savers and investors, exceeding the ratio in almost all other Asian countries. Bank-dominated financial systems, where markets for equity and debt are small, tend to share several closely related problems. First, the lack of well-developed capital markets creates a high potential for systematic underpricing of loans. That, in turn, encourages excessive borrowing by firms with preferred access to credit—state-owned firms in China, the *chaebol* in Korea, those with government connections in Indonesia and Thailand—while the rest of the economy starves for funds. More generally, capital markets do not provide enough competition for banks, reducing efficiency among financial intermediaries and diminishing rates of return for savers who have little alternative to bank deposits. Finally, whether in China or elsewhere in the region, politicians can more easily influence the pattern of bank lending than determine which borrowers get access to funds raised through capital markets.

China's financial and banking system, like others in Asia, suffers from inadequate central bank independence and lax regulation of commercial banks. China's largest banks are not subject to independent audits. Three of China's four largest banks do not even report their consolidated financial results, meaning that losses can be buried in subsidiary firms. Nonperforming loans are classified by more lenient standards than the international norm, impairing the value of the data in measuring bank performance. China's system of setting aside reserves for nonperforming loans is also flawed, since reserve requirements are not linked directly to the quality of each bank's loan portfolio but rather are set at an arbitrarily low percentage.

More alarming, losses due to fraud, corruption, and other lending irregularities in Chinese banks may be similar to those under Indonesia's crony capitalism or the corrupt lending practices South Korean banks

used to funnel hundreds of millions of dollars into politicians' pockets. In 1996 the People's Bank of China acknowledged that some banks had lent funds "without recording them in their account books" and that other financial institutions created "false assets" to conceal large losses on their balance sheets. Ominously, the central bank admitted that the number of serious financial crimes was on the rise and that they had been committed in such a manner as to make them more difficult to detect. Since then the situation has worsened. A November 1997 editorial in *People's Daily*, the Chinese Communist Party newspaper, admitted that "some financial institutions operate in violation of laws and regulations; criminal activities in banking and finance are rampant."

Whether in China or elsewhere in the region, the common elements leading to fraud, corruption, and political influence are inadequate central bank independence and lax regulation of commercial banks. In South Korea, for example, the Bank of Korea was formally subordinate to the Ministry of Finance, which focused on providing a continuous flow of funds to major industrial groups at low cost, precluding the central bank from exercising effective supervision. A key condition of the IMF bailout was legislation making the Korean central bank an independent entity. In China the weakness of the central bank reflects the extreme reluctance of powerful political leaders, especially at the provincial and local level, to relinquish their power to funnel loans to favored industries and firms.

TOO MUCH DEBT

CHINA SHARES an excessive buildup of domestic credit with several countries in Asia. From the beginning of reform in 1978 through the end of 1997, outstanding credit among all financial institutions grew from 190 billion to 7.5 trillion renminbi. As a percentage of GDP, outstanding credit almost doubled, from 53 percent in 1978 to 100 percent in 1997. The buildup of credit in China is almost as rapid as that in South Korea and Thailand just before the crisis hit.

The judgment that credit has expanded excessively is based on several criteria. First, an extraordinary deterioration in the balance sheets of state-owned enterprises, which have been the chief recipients of bank credit, has mirrored the buildup of debt. At the outset of reform their balance sheets were quite strong, reflected in a debt-to-equity ratio of about

ten percent—about a fourth or fifth of what one would expect among firms in a market economy. Because of a rapid increase in their borrowing, by the end of 1995 the debt-to-equity ratio of all state-owned firms, including commercial establishments and manufacturing companies, exceeded a striking 500 percent. This change implies that many of China's state-owned firms are insolvent—some cannot even cover their operating costs with their income. Because of their highly leveraged position, more and more firms will be unable to service their debts if the economy slows down, further undermining the weak financial position of banks.

A second indicator of too much growth in domestic credit is excess capacity in many industries. Excess capacity is apparent not only in Thailand, Indonesia, and South Korea, but also in China's automobile, beer, home appliance, machine tools, chemical, and chemical fibers industries. According to a 1995 industrial census, capacity utilization was less than 60 percent for more than 900 major industrial products.

These countries face a shared challenge not only to reform their financial systems but also to restructure their productive sectors. In South Korea more competition must curb the market power of the *chaebol*. China's lack of competition is evident not in the dominance of a few firms but in the birth and survival, through access to soft credit, of many small, grossly inefficient local producers. One outstanding example is the automobile industry. In the mid- to late 1980s more than 120 vehicle manufacturers were established in China—an astonishingly large number, given the initially tiny market for vehicles and the economies of scale characteristic of the automotive sector. Although production of vehicles of all types tripled from about a half million in 1990 to 1.6 million in 1997, the vast majority of the manufacturers produce far too few to take advantage of economies of scale.

Since at least 1994, when it promulgated an automobile industrial policy, the Chinese government has sought to consolidate the industry. But dozens of provincial and local governments have fiercely resisted, each determined to maintain a presence in what the central government has identified as a pillar industry. Some of these localities have nurtured their own producers by imposing restrictions on the sale and licensing of vehicles built elsewhere. A highly restrictive national auto import policy has abetted these efforts. After several cuts, tariff rates on imported sedans are still as high as 100 percent, and imports are also subject to quo-

tas and other restrictions. In a more market-oriented economy, with more efficient financial intermediaries and less restrictive trade practices, 120 vehicle producers could never have been established, let alone survived.

A third indicator of excess lending has been the formation of “asset bubbles,” particularly in the real estate market. Deng Xiaoping’s famous “southern tour” in 1992 stimulated property development on a massive scale throughout China, much of it financed by bank loans. By the mid-1990s, far too much had been built. Beijing, Shanghai, and Shenzhen appear to have the highest concentrations of unleased luxury villas and townhouses and first-class office space, but many smaller cities, ranging from Haikou on Hainan island to Beihai in

Shenzhen has empty
office space to satisfy the
market for three years.

Guangxi, have a significant problem of overbuilding, as do many county-level towns. In the Pudong Development Area, the financial and manufacturing center that Shanghai created in 1991, total office space in 1997 stood at 13.5 million square feet, an astounding five times the stock at the end of 1994. But

about 70 percent of this space is vacant. Shenzhen has enough vacant office space to satisfy the market for three years. The vacancy problem in most large cities is almost certain to worsen since space is expected to increase at a rate several times that at which it has been occupied over the last few years. By 1997 office rental rates had already substantially declined—by about 50 percent in downtown Shanghai, 40 percent in Pudong, and 40 percent or more in Beijing—and were forecast to fall by as much as 70 percent before bottoming out. In retrospect, the repeated boast of Xu Kuangdi, Shanghai’s mayor, that one-fifth of the world’s construction cranes were at work in his city was more a harbinger of a collapse of real estate prices than an auspicious sign of the city’s resurgence.

A fourth vulnerability China shares with the Asian countries in crisis is an enormous buildup of nonperforming loans. In international practice these are loans on which either an interest or principal payment is 90 or 180 days past due, and they are an important indicator of the health of a banking system. Ultimately the borrowers of nonperforming loans may default, requiring the lender to absorb the loss, drawing on either reserves or its own capital.



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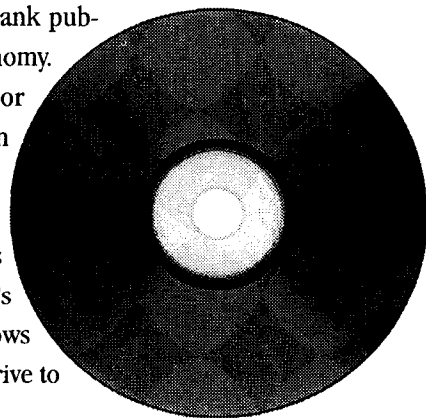
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According to statements of high officials, including the governor of the People's Bank of China, Dai Xianglong, the share of nonperforming loans in the portfolios of the four largest state-owned banks has increased steadily in recent years, from 20 percent at the end of 1994 to 25 percent by the end of 1997. The ratio of nonperforming loans in China is substantially higher than it was in South Korea or Thailand before the crisis.

SOURCES OF RESISTANCE

DESPITE THESE vulnerabilities, China is unlikely to catch the Asian flu. The Chinese currency is not convertible for capital account transactions. Chinese savers concerned about the viability of the country's financial institutions cannot legally convert their renminbi deposits and purchase foreign currency-denominated financial assets. Moreover, because their ability to convert currency back into dollars is severely limited, foreigners own only small amounts of renminbi-denominated financial assets such as bank deposits or company stock. Indeed, non-residents are legally barred from purchasing "A" shares—bought and sold for local currency on the Shanghai and Shenzhen stock markets. They must buy foreign currency-denominated and independently priced "B" shares. If foreign sentiment on the value of B shares turns bearish, the value of the Chinese currency would suffer no adverse consequences. Would-be sellers, in effect, cannot get out of the market unless they find a foreign buyer who will pay dollars for their shares.

This situation contrasts sharply with the Southeast Asian picture in the summer and fall of 1997. There, foreign portfolio managers all ran for the exits at the same time, contributing to a sharp decline in local-currency share prices. And when they then sold the baht and other local currencies they had acquired, they exacerbated plummeting exchange rates. Within a matter of weeks the foreign currency values of shares listed on these exchanges had fallen 50 percent or more.

The absence of capital account convertibility also means that speculators, both foreign and Chinese, have no way to act on a suspicion that the renminbi is overvalued and likely to depreciate. Only buyers with a demonstrated need related to trade, tourism, repayment of an approved foreign currency loan, or repatriation of profits derived from a direct investment can purchase foreign exchange. Similarly, access to the

futures market for foreign exchange in China is limited to those with a documented trade-related need, precluding speculators from taking short positions in renminbi. Even domestic firms with foreign currency-denominated loans cannot purchase foreign exchange to make payments until their loans come due. That requirement forestalls accelerating demand for foreign exchange among debtors.

China's capital inflows are also predominantly direct investments. Direct investments differ fundamentally from financial investments since they are illiquid and have a long time horizon. Financial investments, such as loans, bank deposits, stocks, and bonds are often short-term and can be reversed quickly if their owners change their minds about the risks of lending to a particular country. Some financial assets can be sold on the market instantly. Lenders can wind down their exposure over somewhat longer periods by refusing to roll over loans when they come due.

In 1997, China received \$64 billion in foreign capital, but the largest portion of it, \$45.3 billion, was direct investment. Cumulatively, by the end of 1997 foreign direct investment stood at \$225 billion, more than half again as much as the total value of foreign borrowing. In contrast, in the countries in crisis, borrowing exceeds direct investment, sometimes by as much as ten to one.

Unlike Southeast Asia, in the mid-1990s China has also run record trade surpluses. China was \$16.7 billion, \$12.3 billion, and \$40.3 billion in the black in 1995, 1996, and 1997. Thus China was not dependent on continued foreign capital inflows to finance a trade deficit. Finally, at the end of 1997, China's foreign exchange reserves were large enough to finance almost a full year of imports.

INEFFICIENCY IS A DRAG

BUT ALL is not well. China is not immune to the adverse consequences of a rapid buildup of nonperforming loans to state-owned enterprises. Unless reversed, the drain from poor domestic lending decisions will ultimately reduce economic growth, meaning slower job creation and an increased potential for social unrest.

Poor lending decisions are also leading to a huge accumulation of bank liabilities to households, the ultimate source of most of the

funds in the banking system. But these liabilities are not matched by real assets. The longer the banks continue to support money-losing state-owned enterprises, the greater the risk that savers will lose confidence in the banking system, triggering a crisis. Even if a crisis can be avoided, the accumulation of nonperforming loans means that the bank recapitalization or financial losses for which depositors are ultimately liable continues to grow. And Chinese banks cannot offer savers consistently positive rates of return, creating a disincentive to save and possibly portending a decline in the savings rate.

China now faces a higher cost of raising money on international capital markets, stemming from a perception that it has some of the same underlying problems evident elsewhere in the region, including a significant understatement of its external debt. In early 1998, Moody's Investors Service downgraded the outlook for nine Chinese banks and the foreign currency debt from "stable" to "negative." Even before the downgrades, the margins on Chinese sovereign debt being traded on the market had widened since their levels before the crisis. As a result, in March China postponed a sovereign bond offering, hoping that the margins would fall by the second half of 1998. Prices of Chinese securities available for purchase by foreigners, including B shares as well as Chinese-owned firms listed in Hong Kong, have all fallen sharply. The result is that fewer Chinese companies are being offered on international equity markets, and those that are offered are priced at a much lower multiple of earnings than companies that went on the market before the crisis.

THE CHINESE REFORM PROGRAM

THE CHINESE government recognizes the risks of delaying further fundamental economic reforms. Intense high-level discussion of these dangers began last November when the State Council convened a National Financial Work Conference in Beijing against the backdrop of the financial crisis. Indeed, in an unprecedented move, China contributed \$1 billion to the IMF-led bailout of Thailand.

China is at least temporarily insulated from a currency crisis and is not subject to an IMF-imposed restructuring program. There can be little doubt, however, that Premier Zhu Rongji believes that banks and state-owned enterprises, their principal borrowers, must be reformed.

Jinrong Shibao, China's leading financial newspaper, published jointly by the central bank and several of China's largest financial institutions, commented just after the conference that nonperforming loans are becoming endemic to the system: "A considerable amount of loans extended by banks are disappearing like stones dropped into the sea; principal and interest is difficult to recover; thus the non-performing assets of these banks are increasing."

At the Ninth National People's Congress in the spring, China's leadership confirmed its commitment aggressively to protect China from the Asian financial contagion. Most dramatically, Zhu announced that

Presidents of banks
with nonperforming
assets are to be fired.

China would solve the long-standing problems of money-losing state-owned enterprises and weak banks within three years through an accelerated program of privatizations, mergers, closures, and a series of steps that would lead banks to operate on a commercial basis.

Among the most important was a reorganization of the local branches of the People's Bank along regional lines to reduce political interference in lending decisions. The initial experiment is under way in southern China where branches in Guangdong, Jiangxi, Guangxi, and Hainan are being consolidated to form a single regional office in Guangdong's provincial capital, Guangzhou. Zhu has been widely quoted as stating "the power of provincial governors and mayors to command local bank presidents is abolished as of 1998."

A second major step is a planned injection of 270 billion renminbi into the four largest state-owned banks. This infusion, which will double the capital of the banks, is a prerequisite to the commercialization of the system. Its relatively large size may reflect a belief on the part of the leadership that commercialization is already well advanced.

The central government has also committed substantially more funds to finance write-offs of enterprises' bad debts. This effort began in 1996 with an allocation of 20 billion renminbi to enterprises being restructured. In 1997 30 billion renminbi were earmarked for this purpose. In 1998 the amount was increased to 40 billion, with further increases to follow in 1999 and 2000. Since these funds are generally allocated to assist in the merger of two or more state-owned firms, their use is tied to enterprise restructurings.

The central bank will also allow banks greater flexibility in setting interest rates. The long-standing practice by which the central bank set uniform lending rates for each type of loan precluded banks from pricing loans according to risk. Under the plan, banks will be given increased authority to set lending rates and will be encouraged to take risk into account for individual borrowers. In addition, the presidents of banks with growing nonperforming assets are supposed to be fired. The system of mandatory lending quotas, which has placed a ceiling on total lending and mandated loans to specific projects, is also being phased out. The precise implications of this reform remain to be seen since a system of "guidance quotas for lending" will remain in place.

Since the work conference, the central bank has also tightened supervision and regulation of banks and other financial institutions. It has closed dozens of unauthorized operations, in some cases providing billions of renminbi to prevent depositors from losing their savings. One element of this reform is a new scheme for classifying nonperforming loans, more closely aligned with international standards, which will come into effect by the end of 1998. Most important, classification will be based partly on risk rather than exclusively on payment status.

Finally, the State Administration of Foreign Exchange is now required to ensure both that all domestic institutions get advance approval for international commercial loans and that they borrow no more than a certain multiple of foreign exchange-denominated capital and foreign exchange earnings. If followed rigorously, these new regulations would limit the ability of non-financial firms without foreign currency earnings to incur additional foreign exchange risk. They should also curtail borrowing by subsidiaries or affiliates of Chinese firms operating abroad. In some cases, the proceeds from such borrowing have entered China as the foreign contribution to a joint venture and have been reported as foreign direct investments, when they are really foreign currency-denominated loans.

KEEPING OUT OF THE WAY

THE LEADERSHIP has embarked on a daunting transition. A successful reform program would constitute a major breakthrough. It would mean the leadership had found solutions to the problems of money-

losing state-owned enterprises and failing banks that have eluded them for two decades. Domestically, success would improve the allocation of resources, helping to maintain rapid economic growth. Restoring the health of the domestic banking system would reduce the risks of systemic bank failure and help to sustain the high rates of domestic savings that have underlain China's rapid growth in the reform era. Success would make China more likely to maintain its competitive position in Asia by increasing productivity rather than devaluing its currency and possibly setting off another round of currency devaluations. It would help restore China's favorable access to international capital markets and maintain large inflows of foreign direct investment, indirectly helping keep the Hong Kong dollar pegged to the U.S. dollar. All these developments would contribute significantly to recovery in Asia. Finally, successful reform would strike a sharp contrast with Japan, which has not been able to contribute much to solving the Asian financial crisis. Thus China could become as central as Japan to the future of the Asian economy, assuring China's ascendancy not just in the region but in the world.

But the reform program is fraught with risk. China already has an unprecedented unemployment rate, and the political system may not withstand the even higher rates that will accompany the restructuring of state enterprises. Moreover, the transition is beginning under unfavorable external conditions. Drastic currency devaluations have already reduced the growth of Chinese exports and crimped inflows of foreign direct investment. The resulting weakness in the domestic economy will further strain an already fragile domestic banking system.

Another risk is a premature liberalization of domestic financial markets, probably in response to external pressure. While the United States has an interest in assuring that China allow American and other foreign banks to take deposits and offer loans in domestic currency, the insistence of U.S. trade negotiators that China very rapidly open its market for banking services could trigger a domestic crisis. That would start a major recession in China, shutting down Asia's main engine of growth. The United States has a bigger interest in eradicating the Asian financial contagion. That interest will be best served by supporting China's energetic domestic reform program and tempering demands for immediate liberalization of China's banking market. ②

Reviews



MAGNUM PHOTOS/MICHA BAR'AM

The Israeli flag flies over the West Bank settlement of Shilo, 1978

Israel's epic is the story of creating a state against all odds.

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State of Grace?

Rethinking Israel's Founding Myths

L. Carl Brown

Israel: A History. BY MARTIN GILBERT.
New York: William Morrow, 1998,
748 pp. \$30.00.

Israel's first 50 years, friends and foes would have to agree, have been extraordinary. No state of equivalent size—indeed, few states of any size—have as consistently commanded world attention. Israel has been involved in almost every type of U.N. activity, beginning with the 1947 U.N. Special Committee on Palestine, followed in November of that year by the General Assembly resolution calling for the partition of Palestine into a Jewish and an Arab state. From 1948 on, actions or reactions by Israel have produced cease-fire regimes, truce supervisions, refugee administration, and mediation efforts by U.N. secretaries-general, special envoys, or multiparty conferences. Israel has even been singled out in the infamous 1975

General Assembly resolution depicting Zionism as “a form of racism,” repealed only in December 1991 in the wake of the Gulf War.

Israel's first 50 years have brought six wars: the 1948-49 War of Independence, the Suez war of 1956, the Six Day War of 1967, the 1969-70 War of Attrition, the October (Yom Kippur or Ramadan) 1973 war, and Israel's 1982 invasion of Lebanon. These wars set in motion some of the most important and dangerous Cold War confrontations, including a limited U.S. nuclear alert during the 1973 fighting.

In May 1948 Israel had a tiny population of some 650,000 Jews. Even with the impressive ninefold increase over the following 50 years, its present 5.4 million inhabitants (almost 20 percent of them Arabs) give Israel the modest world population ranking of 200th. Not including the occupied territories, Israel is

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about the size of New Jersey, ranking 152nd. Yet this small state fought a tank battle against Egypt in 1973 that was larger than all but one of the World War II battles between those two behemoths, Germany and the Soviet Union.

In 50 years Israel has become a dominant Middle Eastern power, the only regional nuclear power, and the close ally of the the world's sole remaining superpower. Since the June 1967 war, Israel has been engaged in a military occupation over Palestinian Arabs. Israel seemed like it might get out of the military occupation business after the historic handshake on the White House lawn in September 1993 between Israeli Prime Minister Yitzhak Rabin and PLO leader Yasir Arafat, but the negotiations, often stalled, continue at a snail's pace. Israeli settlements in the occupied West Bank began after 1967, have continued ever since, and are relentlessly creating facts on the ground.

EPIC HISTORY

Anniversaries are stocktaking times. How have historians interpreted this action-packed first 50 years of Israel's relations with the Middle East and the world? No easy answers here, for Israel's crowded history has been matched by a massive historiography. Israelis and foreigners, friends and foes, participants and observers, professionals and amateurs—all have entered the debate.

For all this Babel, the writing of Israel's diplomatic record does largely follow one common pattern in historical studies: a standard or "canonical" interpretation gains favor. Conflicting interpretations never disappear but are marginalized. Then, at some point, revisionist challenges gain enough attention to compel reconsideration.

Martin Gilbert's *Israel: A History* is a 748-page, updated statement of what one might call the Israeli canon, based on interpretations advanced by those who controlled Israel for roughly its first three decades. The book does contain new information. The last English-language study of equivalent bulk and scope was Howard M. Sachar's *A History of Israel: From the Rise of Zionism to Our Time* (1976) with a later second volume, *From the Aftermath of the Yom Kippur War* (1987). Gilbert provides a few new twists on earlier interpretations but offers no paradigm shift.

Gilbert, a British historian, the official biographer of Winston Churchill, and author of many other works, is no stranger to Israel. He has written several books on Jerusalem, historical atlases of the Jews and of the Arab-Israeli conflict, a study of Palestine under the British Mandate centering on the 1939 White Paper, and a general history, *Exile and Return: The Emergence of Jewish Statehood* (1978). *Israel: A History* is a work of synthesis by a knowledgeable historian.

It is not totally whimsical to view this genre of history as a prose variant of the classic epic. Like the epic, the national history is the story of a quest, in this case to create a state against all odds and then maintain it. The collective hero is the Israelis. Indeed, Israel is the subject, and other individuals or nations are brought in only to the extent that they flesh out the story.

A national epic is expected to be edifying, so as to play a role in nation-building. Gilbert, like most professional historians, would surely protest that he is not writing an edifying nationalist tract but doing the historian's job of faithfully recapturing

the past. No need here to lapse into post-modernist lucubrations, but readers who look for the organizing theme structuring his account will view this book differently.

HISTORY, NOT HAGIOGRAPHY

To label his book a national epic is not to single out Gilbert or Israel. While the role of history-writing in producing a unifying national myth has been especially pronounced in Israel, writing history as a means of defining and defending the national myth is to be found in all states and, even more, would-be states. Think of the recent uproar attending plans in the United States to set national standards in the teaching of American history. As the shades of Macaulay and Michelet remind us, the national epic has been around for some time.

Like most epics, Gilbert's narrative is chronological, even putting the year under discussion atop each page. Individual Israelis figure prominently, with copious extracts from the writings of Israeli leaders, especially David Ben-Gurion, Golda Meir, Yitzhak Rabin, and Shimon Peres. Little-known Israelis also appear throughout, especially those involved in battles and the victims of terrorist attacks. Others, whether Palestinians, Arabs, or people from other parts of the world, are drawn less sharply, and sometimes in rather negative terms.

Gilbert is a historian, not a hagiographer. His Israelis are no plaster saints. The dark spots of Israeli history, for example the 1948 massacre in the Arab village of Deir Yasin by pre-state militias, the 1954 Lavon affair, an Israeli covert attempt to subvert relations between Egypt and the West, and Baruch Goldstein's 1994 massacre of Arabs in Hebron, are duly noted.

Still, his is a positive story. It is a picture of an Israel that persevered and prevailed, that was determined to survive and was unwilling to trust its independence to others but sought peace whenever possible. It is also essentially the story as presented by the dominant Labor leadership from Ben-Gurion to Peres. Accordingly, the final three chapters, beginning with the seemingly great breakthrough of an Israeli-PLO accord followed by a tedious, step-by-step deflation of those high hopes for peace and security, are more somber. The assassination of Rabin, the sharp polarization of left and right, and the stalling of the peace process end the book on a more pessimistic note.

Israel: A History may well be the valedictory of the once prevailing canonical statement of Israeli diplomatic history. The era in which Labor controlled politics and dominated the discourse ended in 1977 when Menachem Begin became prime minister as head of Likud. The years since have witnessed neck-and-neck competition between Labor and Likud, but the latter, with increasing support from the religious parties and the more extreme nationalist elements, seems to be inching ahead. Put differently, the revisionist Zionist ideology of the early twentieth-century leader Vladimir Jabotinsky, Begin, and their followers, marginalized during roughly the first three decades of Israeli history, has joined the mainstream.

Buffeted from the right, the dominant discourse has in recent years also been challenged on its other flank. A small group dubbed the "new historians" is questioning the benign, eager-for-peace interpretation of Israel's history.

The two challenges are incommensurable. On the right is a cluster of organized

political forces currently in power and relying on ideological legacies (hard-line, expansionist secular, and religious nationalisms) that have long been on the scene. At the other end of the spectrum are a few academic historians whose interpretations are contested by other scholars. They do not currently represent a political force, but ideas are important, and the 50 years of Israeli history—better, the over 100 years of Zionist history—suggest that ideas are nowhere more important than in Israel.

THE NEW HISTORIANS

Avi Shlaim and Benny Morris exemplify these new historians. Both have concentrated on the period from 1947 to the early 1950s. The opening of Israeli state archives (plus those of Britain and the United States) for these years is one important reason to choose this early period. At the same time, for Israel as for many nations, the beginning years are the most important, or are at least perceived to be. (Interestingly, Gilbert devotes almost 100 pages to the 1947-49 fighting, 25 pages more than given to all the following five Arab-Israeli wars.)

Shlaim came to attention with his *Collusion across the Jordan: King Abdullah, the Zionist Movement, and the Partition of Palestine, 1921-1951* (1988), which he revised and retitled as *The Politics of Partition: King Abdullah, the Zionists, and Palestine, 1921-1951* (1990). He argued that the Zionists and Jordanian King Abdullah ibn Hussein had a common interest in dividing Palestine between them and preventing the creation of a Palestinian Arab state, which would be ruled by their common enemy, the mufti of Jerusalem, Amin al-Husseini. This, Shlaim maintains,

was also the least bad solution in the view of Britain. Moreover, the Hashemite-Zionist connection has deep roots, reaching back to soon after the establishment of the British mandate in Palestine. These ties, Shlaim suggests, also explain the long-standing Israeli preference for using Jordan as an intermediary to deal with and better control the Palestinians.

In *The Birth of the Palestinian Refugee Problem, 1947-1949* (1987), Benny Morris lays to rest the old story that the flight of Palestinians from their homes was largely attributable to instructions from Arab leaders to get out of the way of the advancing Arab armies in order to return safely after Israel's defeat. With detailed documentary evidence, he offers instead a multicausal explanation, including not only the lack of effective Palestinian leadership (many of the notables left earlier) and the usual fears and confusions of wartime, but also more than a few deliberate Israeli military efforts to encourage or enforce evacuation.

Morris has also written *Israel's Border Wars, 1949-1956: Arab Infiltration, Israeli Retaliation, and the Countdown to the Suez War* (1993, revised in 1997), an in-depth study of the cycle of violence maintained by Israeli actions countering Arab infiltration across armistice lines. It is a carefully nuanced history detailing the perceptions, actions, and responsibility of all parties, but certain of Morris' conclusions challenge established notions in Israel. "The traditional Israeli view," he writes, "is that, from 1949 to 1956, infiltration was all or generally state-organized and inspired, and terrorist in intent. The reality was different and far more complex . . . [T]hroughout most of the period, the Arab governments and armies opposed infiltration . . . because

they feared IDF [Israel Defense Forces] reprisals." Even more jarring to the prevailing canon was the following: "From some point in 1953, the cycle of infiltration and reprisal boded war, something that certain Israeli leaders (from 1954) either actively sought or were not averse to."

Critical interpretations of Israeli policies and conduct during these early years have not been confined to Shlaim and Morris. Others include Uri Bar-Joseph's *The Best of Enemies: Israel and Transjordan in the War of 1948* (1987), Ilan Pappé's *Britain and the Arab-Israeli Conflict, 1948-51* (1988) and *The Making of the Arab-Israeli Conflict, 1947-51* (1992), and Tom Segev's 1949, *The First Israelis* (1986). Nor should the late Simha Flapan be overlooked. Not a historian but a leftist Mapam party ideologue, he put forward many similar ideas without the benefit of archival research in his hard-hitting *The Birth of Israel: Myths and Realities* (1987).

ORIGINAL SIN

The common theme running through all this new history is that Israel from the beginning adopted a Machiavellian, realist approach to politics, did not draw back from violence when that seemed warranted, and was in no hurry to move toward peace with its neighbors but preferred to hang on to every gain achieved while keeping an eye peeled for more. Israel, the jaded observer of international politics might say, acted very much like most states.

And that, stripped to its essentials, is the new historians' message. In "The New Historiography," Morris insisted that "how one perceives 1948 bears heavily on how one perceives the whole Zionist/Israeli experience." He continued, "If Israel was born tarnished, besmirched by original sin, then it was no more deserving of that [Western] grace and assistance than were its [Arab] neighbors."

That charge of "original sin" got quite a play. Shabtai Teveth, Ben-Gurion's biographer, dismissed all the new history as a "farrago of distortions, omissions, tendentious readings, and outright falsifications" in an article entitled "Charging Israel with Original Sin." From the other side of the ideological spectrum, Zachary Lockman favorably reviewed books by Morris, Segev, and Flapan under the rubric "Original Sin." Later, Shlaim suggested that critics of the new historians were clinging "to the doctrine of Israel's immaculate conception."¹ It is ironic and poignant, given the larger historical context out of which Zionism grew—including the Christian roots of Western anti-Semitism—that this debate on Israeli history has been waged in terms from Christian theology.

There has been no lack of rejoinders to the new historians, including *Fabricating Israeli History: The 'New Historians'* (1997) by Efraim Karsh and *The Road Not Taken: Early Arab-Israeli Negotiations* (1991) by

¹ See the following: for Morris, *Tikkun*, November-December 1988, pp. 19-23, 99-102; Teveth, *Commentary*, September 1989, pp. 24-33; Lockman, *Middle East Report*, May-June 1988, pp. 57-64; Shlaim, "The Debate about 1948," *International Journal of Middle Eastern Studies*, August 1995, pp. 287-304.

² See Sela, *Middle Eastern Studies*, October 1992, pp. 623-688. Karsh is, in turn, dismissed by Morris in his review "Refabricating 1948," *Journal of Palestine Studies*, Winter 1998, pp. 81-95; See also Ian S. Lustick, "Israeli History: Who is Fabricating What?" *Survival*, Autumn 1997, pp. 156-166.

Itamar Rabinovich, and many articles such as Avraham Sela's "Transjordan, Israel and the 1948 War: Myth, Historiography and Reality." Karsh dismisses the new history as nonsense, in language that sheds more heat than light.² Others dispute conclusions reached by the new historians but accept, as Rabinovich wrote, that the new historians have "revealed significant weaknesses in the traditional historiography and orthodox version of Arab-Israeli relations that were dominant in Israel." Rabinovich, however, threw a low punch in asserting that the new historians' "point of departure was political and moralistic rather than academic." One would have thought that orthodoxy and heterodoxy share politicizing and moralizing about equally.

This Israeli debate is in large measure restricted to the Israeli left and center. Those on the right, religious or secular nationalists, never fretted much about missed chances for peace and bristled at the very formula "land for peace." Indeed, a somewhat exaggerated epitome of the points raised by the new historians is that Labor in those early years expressed a belief in peace and comity but acted rather too much like those on the right would have. Ben-Gurion and the Israeli leadership gave peace with their Arab neighbors a low priority. And the retort of those opposing the new historians from the left and center is essentially to say, "No, the time was not ripe. The Arabs were not ready to accept Israel."

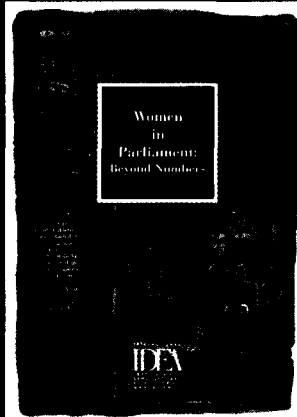
"Of our conceptions of the past," Thomas Hobbes wrote, "we make a future." That surely is what the furor is all about. Gilbert's *Israel: A History*, a national epic presenting the older canon with narrative skill, lies outside that ongoing debate. ☺

In 1997 the International Institute for Democracy and Electoral Assistance (International IDEA) published *The International IDEA Handbook of Electoral System Design*, an easy-to-use guide describing what factors to consider when modifying or designing electoral systems. (ISBN: 91-89098400-5) \$US 16.00 plus postage.



In 1998 the Institute published its second handbook *Women in Parliament: Beyond Numbers*, which examines how women MPs have made a political impact through parliaments. Contributors include leading researchers, parliamentarians and activists. The handbook contains some of the most pertinent mechanisms and strategies women can use to impact on policies and political processes. It examines such topics as quotas, electoral systems and includes case studies which highlight the range of issues women face in parliament in Costa Rica, Egypt, India, Jordan, Lebanon, Norway, Russia and South Africa. Designed as an easy to use reference book for politicians, it is also an excellent training manual and text book. (ISBN: 91-89098-19-6) \$US 16.00 plus postage.

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Picking Up U.N. Peacekeeping's Pieces

Knowing When to Say When

John Hillen

*Peacekeeping and Peacemaking:
Towards Effective Intervention in
Post-Cold War Conflicts.* EDITED BY
TOM WOODHOUSE, ROBERT BRUCE,
AND MALCOLM DANDO. New York:
St. Martin's Press, 1998, 297 pp. \$65.00.

*Policing the New World Disorder: Peace
Operations and Public Security.* EDITED
BY ROBERT B. OAKLEY, MICHAEL J.
DZIEDZIC, AND ELIOT M. GOLDBERG.
Washington: National Defense
University Press, 1998, 547 pp. \$27.00.

When ethnic tensions in Kosovo flared into violence between Serbian police and Albanian separatists in March, the United States and the international community were quick to condemn the crackdown. But little besides rhetoric was forthcoming.

Despite the lingering presence of a well-rehearsed U.N. sanctions regime in the Balkans, a large NATO-managed international peacekeeping force in Bosnia, and a well-established U.N. peacekeeping mission to Macedonia, no international intervention of any sort was seriously considered. It was as if the global community's bag of intervention tricks was actually smaller in the tragic aftermath of the Rwandas, Bosnias, and Somalias of recent times. NATO had its hands full, the Organization for Security and Cooperation in Europe exists only on paper, and the United Nations was many times bitten and twice shy.

When the United States stood alone against the other 14 members of the U.N. Security Council in opposing a second term for Secretary-General Boutros

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CARTOONISTS & WRITERS SYNDICATE

Boutros-Ghali in 1996, it effectively killed a range of ambitious peacekeeping functions with which the United Nations has been experimenting since 1992. Granted, many of the experiments were manifest disasters, and the blue helmets' failure to halt political violence in Somalia, Rwanda, Haiti, and the former Yugoslavia was reinforced by images of peacekeepers held hostage in Bosnia, gunned down in Mogadishu, or butchered in Kigali.

These controversial operations not only failed in gaining the peace but overwhelmed the organization and pushed it deeper into debt. Between 1988 and 1993, U.N. peacekeeping grew from less than 10,000 troops in 5 classic peacekeeping missions to almost 80,000 blue helmets in 18 different operations, including large and heavily armed missions to Cambodia, Somalia, and the former Yugoslavia. The annual peacekeeping budget ballooned from \$230 million to \$3.6 billion, exceeding the general budget and accelerating the United Nations' chronic insolvency. A U.N. senior official said in 1995 that the

organization was seeking a "bear market" for future peacekeeping because of these problems. By 1997 the United Nations had tapered off its military operations to some 15,000 peacekeepers operating in more mundane environments on a budget of around \$1.2 billion.

While a broad range of observers drew the same basic conclusion from this episode—that the United Nations should not manage complex, dangerous, and ambitious military operations—most are split on how it happened and whom to blame. Conservatives in the United States charge the United Nations itself and especially a fiendishly ambitious Boutros-Ghali, who they say openly tried to accrue more and more military legitimacy and power. One conservative wrote recently of "Boutros-Ghali's kaleidoscopic ambition" and his "expansive agenda in the peace-making arena."

Conversely, liberal internationalists blame a parochial U.S. Congress, which pulled the United States out of Somalia at the first sign of trouble and now holds

America's U.N. dues hostage to its provincialism. In April Secretary of State Madeleine K. Albright implicitly lumped American critics of the organization with conspiracy theorists who see black helicopters behind every U.N. biosphere program.

Both views are off-base. Those who put U.N. peacekeeping through the wringer and hung the organization and its last secretary-general out to dry were, ironically, those American internationalists most likely to promote a larger U.N. collective security role. Many in both the Bush and Clinton administrations sought a much greater role for the United Nations in international security affairs. Even Ronald Reagan climbed aboard the bandwagon in 1992, giving a speech at Oxford University in which he called for "a standing U.N. force—an army of conscience—that is fully equipped and prepared to carve out humanitarian sanctuaries through force if necessary."

But even though many American officials were philosophically amenable to that goal, they chose to propel the United Nations into uncharted waters more out of political expediency than as a carefully crafted approach to collective security. As the executive secretary to the secretary-general, Shashi Tharoor, has noted in the Winter 1995-96 *Survival*, the decisions to send the United Nations in strength to places like Bosnia sometimes "reflected not so much a policy as the absence of policy . . . respond[ing] to the need to 'do something.'"

BUILDING ON SAND

Both of these books offering ways forward for the United Nations implicitly recognize that American officials, especially in the

first Clinton administration, pushed a reluctant United Nations into much greater military roles than it could hope to handle. In the former Yugoslavia, it soon became painfully obvious that despite the deployment of almost 40,000 combat troops, the United Nations was in over its head. Among American leaders, it was fashionable in both parties to bemoan the ineffectiveness of the U.N. peacekeepers—despite the fact that the Bush and Clinton administrations were far more responsible than any other government for the U.N. effort in the former Yugoslavia. Between September 1991 and January 1996, the Security Council passed 89 resolutions relating to the Yugoslav situation, of which the United States sponsored one-third. While Russia vetoed one resolution and joined China in abstaining from many others, the United States voted for all 89, including those 20 that expanded the mandate or size of the U.N. Protection Force (UNPROFOR).

The United Nations was not pulling the international community into Bosnia; the West used the Security Council to push a reluctant U.N. bureaucracy even further into a series of missions and mandates it could not hope to accomplish. Boutros-Ghali warned the members of the Security Council in March 1994 that "the steady accretion of mandates from the Security Council has transformed the nature of UNPROFOR's mission to Bosnia-Herzegovina and highlighted certain implicit contradictions . . . The proliferation of resolutions and mandates has complicated the role of the Force." His under secretary-general for peacekeeping, Kofi Annan, was more blunt, in January 1995 calling attempts to further expand U.N. missions "building on sand."

Picking Up U.N. Peacekeeping's Pieces

The Clinton administration, which had shown unbounded enthusiasm for U.N. peacekeeping in its first months, began to sour slightly by September 1993. By then U.N. Ambassador Albright's doctrine of "assertive multilateralism" had given way to President Clinton's beseeching the General Assembly to know "when to say no." But it was the United States and its allies on the Security Council who kept saying yes for the United Nations. Even after Clinton's speech, Albright voted for all five subsequent resolutions (and sponsored two) that again expanded UNPROFOR's size or mandate.

In Somalia, the pattern was even more direct. The United States pushed an unwilling United Nations into a hugely ambitious nation-building mission. In its waning days the Bush administration assembled a U.S.-led coalition that intervened to ameliorate the man-made famine in Somalia. From the very beginning, the United States intended to turn the mission over to a U.N. peacekeeping force. Conversely, Boutros-Ghali, an Egyptian well acquainted with the complexities of nation-building in Somalia, wanted no part of the mission. Robert B. Oakley, the U.S. envoy to Somalia, noted in his 1995 book coauthored with John L. Hirsch, *Somalia and Operation Restore Hope*, that in a meeting with the secretary-general and his assistants on December 1, 1992, "the top U.N. officials rejected the idea that the U.S. initiative should eventually become a U.N. peacekeeping operation."

The debate, with Boutros-Ghali resisting up to the last, effectively ended on March 26, 1993, when the passage of Security Council Resolution 814 established a new U.N. Operation in Somalia. The resolution authorized the use of

force and greatly expanded the blue helmets' mandate well beyond that of the more muscular American force. The United States withdrew its heavily armed troops and turned the baton over to a lightly armed and still-arriving U.N. force. The transition, set for early May 1993, was so rushed that on the day the United Nations took command its headquarters staff was at only 30 percent of its intended strength. The United States further complicated the new mission by leading an aggressive campaign of disarmament capped by the deployment of a special operations task force to lead a manhunt for the Somali faction leader General Mohammed Farah Aidid. That task force, not under U.N. command, came to disaster on October 3 in the fateful street battles of Mogadishu. A U.S. military report afterward noted that the principal command problems of the mission were "imposed on the U.S. by itself."

THE MIDDLE POWER MODEL

By 1995, fingers had been badly burned in the Security Council and the U.N. Secretariat. It appeared, writes Harvey Sicherman, president of the Foreign Policy Research Institute, in the Winter 1997 *Orbis*, that "the assertive multilateralists of 1992-3 placed more weight upon the United Nations than it could bear, while ignoring NATO and other regional coalitions." Nonetheless, as Kosovo shows, ethnic conflicts are most likely to become more frequent, not less. What role should the United Nations now have in multilateral peace interventions, if any?

In general, the academically oriented *Peacekeeping and Peacemaking* splits its time between a postmortem of the New World Order's first seven years and some

prescriptions built on what it calls “the middle power model . . . in which states come to the realization that their interests can most fully be realized through international cooperation and that it is to their advantage to strengthen the capacity of organizations of cooperation to be effective.” This is then a plan for small but committed international leaders such as Australia, Sweden, Canada, and Norway to use the United Nations to box above their weight. Unfortunately, much of the book was completed before many observers realized just how much a few great powers can knock around “organizations of cooperation” like the United Nations and why they might do so.

While the message from editor Tom Woodhouse and some of his authors is that both the United Nations and peacekeeping need to “be reformed and strengthened,” the 1995 conference that spawned this volume was convened only a few months after Boutros-Ghali virtually gave up on his ambitious ideas of 1992. In his 1995 supplement to *An Agenda for Peace*, the frustrated secretary-general wrote that “it would be folly to attempt” further efforts at peace enforcement when the United Nations was “hard pressed to handle the less demanding peacemaking and peacekeeping responsibilities entrusted to it.” Boutros-Ghali had ridden the roller coaster of U.N.-managed collective security for three years and had run up against several immutable obstacles that might have informed the Woodhouse book to greater effect—namely, that in order for any institution to manage complex multinational military operations, it must have practiced military institutions, organizations, procedures, and structures to do so. Except for the rare military

alliance in which these means are shared by a select few (NATO for instance), states tend not to pool those vestiges of sovereignty that will allow an international organization the legitimacy needed to manage dynamic military operations.

GLOBOCOP

Taking this into account, Oakley and his colleagues at the National Defense University have done a more creative job than *Peacekeeping and Peacemaking*. The premise is that in these missions there is much more to public security than that narrowly defined or provided for by military peacekeepers. Indeed, “the most frequent demands have come from the opposite end of the conflict spectrum, where the skills of the mediator are often more relevant and the essence of the mission is to rehabilitate, not annihilate.” Refreshingly, *Policing the New World Disorder* is actually about policing and, despite the threat of its title, is not another tiresome volume detailing various creative schemes for collective security in the post-Cold War world.

Oakley and most of his authors are experienced practitioners and know full well the limits of the military, even a specifically trained peacekeeping force, in humanitarian interventions. As they write, “The military is a blunt instrument when used alone in this context. It is capable only of imposing a most basic, rigid form of order. An intervening military force can attempt to deter and limit loss of life and destruction of property, but that is about all.” However, as the authors also note, many from personal experience, “Any intervention force that removes or replaces local authority will find itself responsible for maintaining public security.”

Picking Up U.N. Peacekeeping's Pieces

This large “how-to” book aims to put forth plans for quickly and competently using the law enforcement resources and expertise of the international community to help restore the basic institutions of public security—“policemen, judges, and jailers”—in disintegrating states.

The book shows that using a hastily assembled international military force for too many different missions can be inflexible and self-defeating. To be sure, almost all U.N. missions have had significant nonmilitary components, especially in the post-Cold War era. But the focus of the scores of recent volumes dedicated to “fixing” the United Nations and its capacity for leading humanitarian intervention is, as in much of the Woodhouse book, solidly on the military aspect. This puts just one large arrow and a few small darts in the intervention quiver. Worse, the arrow is a much studied but still maddeningly problematic one at that. Even so, mobilizing and deploying civilian police is a relatively new role for the United Nations and other international organizations (there were 35 U.N.-deployed civilian police in 1988 and over 3,600 in 1997). The Oakley book is a comprehensive attempt to codify some standard procedures for this most important task.

GIVING UP

By making this their focus, the contributors to the Oakley volume work within the natural constraints of the United Nations insofar as military operations are concerned. By contrast, some of the authors in the Woodhouse book continue to bemoan the congenital frailties of the United Nations when it comes to mobilizing real political legitimacy and military authority. Despite the pessimistic way in

which the Bosnia and Somalia case studies are presented in his book, some of Woodhouse's other authors collectively cry out, “Try harder!” They seem at times unwilling to recognize that, as the political scientist and former diplomat Saadia Touval wrote in the September/October 1994 *Foreign Affairs*, the United Nations' political-military “limitations are ingrained. They are embedded in the very nature of intergovernmental organizations and no amount of upgrading, expansion or revamping of U.N. powers can correct those flaws.”

The better parts of *Peacekeeping and Peacemaking* recognize, as does *Policing the New World Disorder*, that the United Nations can progress on fronts other than the military one, as seen in recent U.N. successes in Namibia, Mozambique, and El Salvador. The civil components of complex humanitarian relief efforts are not only more relevant to many of the problems the United Nations might undertake today but are less subject to the restrictive emotional imperatives surrounding military issues. Moreover, an unchanging bottom line of sorts limits the United Nations' competent management of serious multinational military missions. The powers of sovereignty that the U.N. Charter concedes to member states are necessary for creating the institutions, structures, and procedures needed to manage dynamic military operations. As former U.N. Assistant Secretary-General Giandomenico Picco wrote in these pages in September 1994, “The institution does not carry with it those basic tools of states . . . The more the institution tries to resemble a state, the more it will fade away and, most seriously perhaps, the United Nations will become no more than the sum of its members.”

But the United Nations is not that. Nor is it a state. And those simple facts have helped it usefully insert itself into security situations where no state could. It is no accident that the United Nations, an organization with purposefully limited military legitimacy, became involved with the quasi-military practice of traditional peacekeeping. The technique suited the institution and the institution the technique. Likewise, it should not cause so much wailing and gnashing of teeth that several difficult peace enforcement missions simultaneously run by the United Nations proved too much for an organization uniquely unsuited to the military management of such tasks. Rather, constructive observers will recognize that, new Security Council consensus or not, the international security system has some natural currents that do not easily change. Working within these currents is eminently more productive than bucking them, failing, blaming those least responsible, and gearing up to try again. ②

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In Defense of the IMF

Specialized Tools for a Specialized Task

Stanley Fischer

Martin Feldstein makes three criticisms of the International Monetary Fund's remedies for the Asian crisis ("Refocusing the IMF," March/April 1998). First, he argues that they are simply the same old IMF austerity medicine, inappropriately dispensed to countries suffering from a different malady. Second—and the main theme—he contends that by including in the program a number of structural elements, the IMF is unwisely going beyond its essential task of correcting the balance of payments and intruding into the countries' political processes. Third, he is troubled by the problem of moral hazard—the bailout issue.

In fact, the IMF-supported programs in Thailand, Indonesia, and South Korea are anything but the usual medicine, precisely because of their heavy structural components, which are included because structural problems lie at the heart of the

economic crises in the three countries. To ignore the structural issues would invite a repetition of the crisis. The macroeconomic parts of these programs consist of a combination of tight money to restore confidence in the currency and a modest firming up of fiscal policy to offset in part the massive costs of financial restructuring. And the moral hazard concern, while essential to deal with, is easily exaggerated. Before turning to these issues, a brief discussion of the origins of the crisis is helpful.

CAUSES AND CONTAGION

The economic crisis in Asia unfolded against the backdrop of several decades of outstanding economic performance. Nevertheless, in 1996 some problems were becoming evident. First, Thailand and other countries were showing signs of overheating in the form of large trade deficits and real estate and stock market

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bubbles. Second, pegged exchange-rate regimes had been maintained for too long, encouraging heavy external borrowing, which led, in turn, to excessive foreign exchange risk exposure on the part of domestic financial institutions and corporations. Third, lax prudential rules and financial oversight had permitted the quality of banks' loan portfolios to deteriorate sharply.

Developments in the advanced economies and global financial markets also contributed to the unstable situation. Large private capital flows to emerging markets were driven in part by low interest rates in Japan and Europe, along with international investors' imprudent search for high yields. The appreciation of the dollar (to which local currencies were pegged) against the yen in mid-1995 was also important.

In Thailand, the crisis, if not its exact timing, was predicted. In the 18 months leading up to the floating of the Thai baht in July 1997, neither the IMF in its continuous dialogue with the Thai authorities nor increasing market pressure could overcome the government's reluctance to take action. Finally, in the absence of convincing policy action, and after Thailand had used up a large part of its reserves, the crisis broke out.

Should the IMF have gone public with its fears of a crisis? While the IMF knew that Thailand was extremely vulnerable, it could not predict with certainty whether, or when, a crisis would strike. For the IMF fire brigade to arrive with lights flashing and sirens wailing before a crisis occurs risks provoking a crisis that might not otherwise happen. That was not a risk that should have been taken.

Once the crisis hit Thailand, the contagion was relentless. Some of the infection reflected rational market behavior. The depreciation of the baht made Thai exports cheaper and therefore put downward pressure on neighbors' currencies. Moreover, after the Thai devaluation, investors took a closer look at Indonesia, South Korea, and neighboring countries and saw similar problems, particularly in the financial sector. Further, as currencies fell, residents rushed to buy foreign exchange to cover their dollar liabilities, intensifying exchange-rate pressures. But even if individual market participants behaved rationally, currencies depreciated far more than was required to correct their overvaluation. Put bluntly, markets overreacted.

Thailand, Indonesia, and South Korea faced a number of similar problems, including the loss of market confidence, deep currency depreciation, weak financial systems, and excessive unhedged foreign borrowing. All suffered from a lack of transparency about the ties between government, business, and banks. But when they requested IMF assistance, the countries also differed in the size of their current account deficits and the stages of crisis they were in. The design of the programs reflects these similarities and differences.

TOO TOUGH?

When they approached the IMF, Thailand and South Korea had perilously low reserves, and the Indonesian rupiah was excessively depreciated. The first order of business was to restore confidence in the currencies. To achieve this, countries have to make their currencies more attractive, which requires increasing interest

rates temporarily—even if higher interest costs complicate the situation of weak banks and corporations. Once confidence is restored, interest rates can return to more normal levels.

Why not operate with lower interest rates and a greater devaluation? This is a relevant tradeoff, but there can be no question that the degree of devaluation of the Asian currencies from mid-1997 to the trough in early 1998 was excessive, for both the individual countries and the international system.

On the appropriate degree of fiscal tightening, the balance is a particularly fine one. At the onset of the crisis, countries needed to firm up their finances, both to cover the costs of financial restructuring, and—depending on the balance-of-payments situation—to reduce their current account deficits, which depend in part on the budget deficit. In calculating the fiscal tightening needed to offset financial restructuring costs, the programs included the expected interest costs—not the capital costs—to spread the costs of the adjustment over more time.

In Indonesia, the initial fiscal adjustment was one percent of GDP. In South Korea it was 1.5 percent of GDP. And in Thailand—reflecting its large current account deficit—it was 3 percent of GDP. After these initial adjustments, if the economic situation in a country weakens more than expected, as it has in these three Asian countries, the IMF has generally agreed to let the deficit widen and the stimulus of increased social spending and deficit expenditure take effect.

Thus in the macroeconomic picture, monetary policy had to be tight to restore confidence in the currency, and fiscal

policy was tightened appropriately but not excessively at the start of each program, with automatic stabilizers subsequently allowed to work.

THE CENTRAL QUESTION

Feldstein proposes three questions the IMF should consider in deciding whether to include a particular measure in a program: whether it is needed to restore access to international capital markets, whether it is a technical measure that does not interfere unnecessarily with the jurisdiction of a sovereign government, and whether the IMF would ask for similar measures in major industrial countries. The IMF programs for the countries embroiled in the Asian crisis pass all three tests.

However, these three criteria omit the central question: Does the program address the underlying causes of the crisis? Financial sector and other structural reforms are vital to the reform programs of Thailand, Indonesia, and South Korea because the problems of weak financial institutions, inadequate bank regulation and supervision, and the complicated and non-transparent relations among governments, banks, and corporations were central to the economic crisis. IMF lending to these countries would serve no purpose if these problems were not addressed. Nor would it be in the countries' interest to leave the structural and governance issues aside: markets are skeptical of halfhearted reform efforts.

The charge that the IMF risks a moral hazard by coming to the assistance of countries in crisis has two parts: that officials in member countries may take excessive risks because they know the IMF will be there to bail them out, and that because the IMF will come to the

rescue, investors do not appraise risks accurately and are too willing to lend. To think that policymakers pursue risky courses of action because they know the IMF safety net will catch them if things go badly is far-fetched. Countries try to avoid going to the fund; policymakers whose countries end up in trouble generally do not survive politically. In this regard, attaching conditions to assistance gives policymakers incentives to do the right thing. Indeed, these incentives have been evident in the preemptive reforms some countries have adopted.

The thornier issues arise on the side of investors. Most investors in the Asian crisis countries have taken heavy losses, including equity investors and many who lent to corporations and banks. By the end of 1997, foreign equity investors had lost nearly three-quarters of the value of their equity holdings in some Asian markets. Many Asian firms and financial institutions will, unfortunately, go bankrupt, and their foreign and domestic lenders will share the losses. Some short-term creditors, notably those involved in the interbank market, were protected for a while because the IMF sought to avert a formal debt moratorium for fear it would lead to a rapid withdrawal of funds from other countries. In the case of South Korea, the creditor banks have now been bailed *in*, and a similar process is getting under way in Indonesia. Further, earnings reports indicate that, overall, the crisis has been costly for foreign commercial banks.

None of this is to deny the existence of a moral hazard. Better ways of dealing with it must be found. But surely investors will not conclude that they need not worry about risks because the IMF will save them. Investors have been

hit hard, as they should have been, for lending unwisely.

BRINGING BACK GROWTH

The alternative proposed by some critics is to leave it to countries and their creditors to sort out their debts. Given that the debts involved generally include both public and private obligations, and because everyone benefits whether or not they make the sacrifices necessary to help out, the experience—from the interwar period and the 1980s—is that such solutions have been protracted and that countries that have undertaken them have been denied market access for a long time at a significant cost to growth. By contrast, in the Mexican crisis of 1994-95, market access was regained in just a few months, and within a year Mexico, assisted by its ability to tap international capital markets, registered impressive growth. Similarly, South Korea has already returned to international markets, and Thailand will soon. The second reason that the IMF tried to help countries avoid a standstill was a fear of contagion. The IMF continues to believe that a standstill in one country, when markets were highly sensitive, would have spread to other countries and possibly other continents.

The basic approach of the IMF to these crises has been appropriate—not perfect, to be sure, but far better than if the structural elements had been ignored or the fund had not been involved. Of course, one cannot know for certain what would have happened had there been no official lending. But despite the instability in Indonesia, the crisis has been contained, and it is reasonable to believe that, deep and unfortunate as the crises in individual countries have been, growth in Korea and Thailand can resume by the end of the year. ☺

Democracy in Africa

No Time to Forsake It

Joel D. Barkan and David F. Gordon

Africa's mixed record of democratization, including the emergence of a large number of hybrid regimes committed to effective governance and real economic development but not Western-style democracy, has led some analysts and foreign policy makers to question the wisdom of promoting democracy as a core theme of U.S. Africa policy. Lately, the focus has been on the leaders who have come to power in Central Africa and the Horn—Meles Zenawi of Ethiopia, Isaias Afwerki of Eritrea, Yoweri Museveni of Uganda, Paul Kagame of Rwanda, and Laurent Kabila of the former Zaire (Dan Connell and Frank Smyth, "Africa's New Bloc," March/April 1998).

Attention has focused on these five because upon taking power all inherited economic basket cases, and some the legacy of civil war. What sets this group apart is

not their newness or cohesiveness as a bloc, but what they are against. All are committed to sweeping away the failures of the past, including the political class associated with those failures. All want to assert African control of the continent's destiny, and thus reject a deferential attitude toward outsiders and their advice. All are also impatient with leaders of neighboring states who do not share these objectives and whose regimes threaten their own. The conventional wisdom about the new leaders is that all have embraced economic reform, reestablished political stability, and reduced human rights abuses, but have resisted multiparty democracy—a strategy that has achieved dramatic results. In this view they deserve, and indeed have received, the support of the international community because they are committed to putting their own houses in order.

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NOT SO NEW

On closer inspection, one finds considerable variation among the chosen five. The so-called “new” leaders of Africa are not all new. Museveni has been in office for more than a decade; Meles and Isaias are approaching seven years. None plans to retire anytime soon. With respect to economic reform and the establishment of a strong free-market economy, all are pragmatic and have given up most of their earlier commitments to Marxism. Only Museveni, however, has delivered a comprehensive set of economic reforms. The others still distrust capitalists.

Are these regimes really stable? Only Isaias governs a truly stable country with broad-based political support. While Meles and Museveni have brought peace to their countries, they have not yet secured legitimacy among large sections of the population. Kagame rules a country that remains at war. Kabila has yet to reestablish a national political system for Congo, and there are doubts about whether he has the ability or the inclination to do so. Ethiopia and Uganda have set up decentralized structures of governance to manage ethnic conflict more effectively, but whether power will devolve to subnational governments remains to be seen. The new leaders’ attitudes toward democracy also differ. Uganda has held free and fair elections—although the candidates could not run as representatives of political parties—in which Museveni was returned to power and a new parliament was elected. Elections in Ethiopia have not been free, while Eritrea is for practical purposes a one-party state.

DEMOCRACY: IT WORKS

The new leaders do believe, as conventional wisdom has it, that economic development must precede democracy. They reject the view that democratization and development are mutually supportive. Yet the African countries with the highest long-term growth rates have been Botswana and Mauritius, which also have the longest records of democratic rule. More recently, positive growth has returned to Benin, Ghana, Mozambique, and South Africa, where the resurgence of democracy has been strongest. Growth is also positive in Côte d’Ivoire, Tanzania, and Malawi, where democratic transitions are still at an early stage. Africa’s worst performers during the 1990s—Kenya, Nigeria, and the former Zaire—are cases not of failed democratization but failed authoritarian rule. The views of the new leaders notwithstanding, the clear lesson from Africa is that economic renewal and democratization go hand in hand.

For U.S. policy, the implication of this relationship is that countries in different stages of democratic transition must be treated differently. African regimes can be divided into four categories. First are a handful of states with strong and potentially enduring commitments to both free-market economies and democratic governance but that are not yet consolidated democracies. In this category are Benin, Botswana, Mali, Madagascar, Mauritius, Namibia, and South Africa. Second are those that have demonstrated a modest to strong commitment to macroeconomic reform and have embarked on democratic transitions by holding multiparty elections or have carried out a significant degree of political liberalization. Included in this group are Burkino Faso, Côte d’Ivoire,

Kenya, Malawi, Mozambique, Senegal, Tanzania, Uganda, and Zambia. Third are those that have embraced macro-economic reform but seek to promote development without democracy. In this group are Burundi, Ethiopia, Eritrea, Gabon, Gambia, Niger, and Rwanda. Fourth are those that either resist both economic reform and democratic rule or are unable to exercise authority across their territory due to civil war or state collapse.

In this group are Angola, Cameroon, Congo, Nigeria, Sierra Leone, Somalia, and Sudan.

The challenge for the United States is to maintain a clear and consistent commitment to its foreign policy goals in Africa while calibrating them for each category of states. These goals, as articulated during President Bill Clinton's trip to Africa earlier this year, are essentially three: economic reform and sustainable development via Africa's integration into the global economy, improvement on human rights and progress on democratic transition, and reestablishment of political stability and effective governance in war-torn states, particularly in central Africa.

The challenge is particularly difficult vis-à-vis the hybrid regimes in the second and third categories because of their diverse mix of policies. Virtually all of these countries are better off economically and politically than they were at the beginning of the 1990s. Several, including Ethiopia



and Uganda, have had dramatic improvement in their growth rates. None, however, is a consolidated democracy, and in some progress toward building democratic institutions has been painfully slow.

These hybrid regimes are brittle because few have established strong institutions to sustain their economy or polity.

They will either evolve into more democratic regimes or slip back into the authoritarian rule that characterized Africa throughout the 1980s.

Such a return to authoritarianism would risk state collapse and civil war.

CHALLENGES OF CONSOLIDATION

Consider these realities in the hybrid states of the Great Lakes and the Horn, which are high priorities for the Clinton administration. With the northern third of Uganda fertile ground for rebellions, Museveni must incorporate the people of the region into the nation in the same way he reached out to the Baganda by restoring the kingdom of the country's largest ethnic group to consolidate his regime in the south. After nearly 12 years in power, he must also build institutions that will facilitate a smooth transfer of power to a successor.

In Ethiopia, Meles must likewise craft appropriate mechanisms—perhaps via that country's nascent federal structures—to bring the alienated Amhara and Oromo, the country's two largest ethnic groups, back into the political process if long-term stability is to reign.

In Rwanda, prospects for stability turn on whether Kagame's Tutsi-based minority regime can deal with the Hutu majority politically rather than militarily. After the genocide, the rural areas are now nearly 95 percent Hutu, which makes successful counterinsurgency operations almost impossible without an effective political component. This may ultimately require the country's partition into regions designated for each ethnic group. But if the minority regime continues to rely on a purely military option, it will result in more carnage and, ultimately, collapse.

Similarly, in Congo, Laurent Kabila may have filled a vacuum at the center, but his regime must either reach an accommodation with regional political elites who command extensive followings in Kivu, Kasai, and Katanga or become the victim of its own hubris. Indeed, many observers have already concluded that this will be Kabila's fate and no longer include him in the "new leader" group.

The bottom line is that in none of these cases is long-term stability or prosperity likely without a more liberal and inclusive politics, in which diverse interests bargain for, share, and possibly alternate power with each other. Democratization, in short, is in the self-interest of those in power.

THE RAWLINGS PRECEDENT

The question, then, is whether the United States should continue to urge democratization for the good of these nations and leaders, or whether it should ease up in order to maintain harmonious short-term bilateral relations. While broadly cooperating with these regimes, the United States should still maintain a dialogue about the need to deepen the democratization process. Consistent with the Joint Declaration of Principles signed in Entebbe in March by President Clinton, Meles, Museveni, and Kabila, the issues to be addressed might include strengthening the rule of law, increasing government transparency and accountability, making decentralization meaningful, developing an independent media and civil society, and ensuring genuine electoral competition no matter what the political framework.

In looking at how to approach the new leaders in the Great Lakes and the Horn, U.S. policymakers should review their experience in dealing with a similar figure in west Africa, Ghana's Jerry Rawlings. In the late 1980s, Rawlings, who came to power through a military coup in 1981, undertook a tough economic reform program with the support of the International Monetary Fund and the World Bank. The United States strongly supported this effort but continued to encourage the Rawlings regime to move to a more open and broad-based political system, echoing the views of Ghana's strongly democratic middle class. In the early 1990s, Rawlings established a multiparty system, but the first elections, held in 1992, were not seen as legitimate by large segments of the population. In response, the United States, while continuing to back Rawlings, began to explore means

of bringing the Ghanaian opposition back into the political process. This led to a large multiyear effort by the Agency for International Development to improve the electoral machinery in Ghana, which held its second elections in 1996. While the results were quite similar to the first, the elections achieved broad legitimacy and led to the active participation of the opposition in parliament and a broad and open political debate. By maintaining a steady policy of engagement with a dynamic new leader but not losing sight of the importance of political reform in sustaining economic policy reforms, the United States played a positive role in Ghana's evolution.

Critics of U.S. efforts to promote democracy abroad argue that the U.S. national interest is not served when foreign policy objectives are defined in moralistic terms rather than on the basis of concrete interests. Yet in the post-Cold War world, the main U.S. interest in Africa is the peaceful development of African states so that they are no longer islands of instability and poverty that require U.S. assistance or intervention, but partners in trade and full members of the international community. Achieving these goals depends on the continued promotion of democracy as a core element in U.S. Africa policy. ☺

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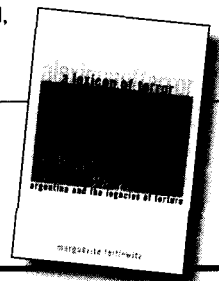
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Doing Right by Puerto Rico

Congress Must Act

Rafael Hernández Colón

A century after the United States invaded Puerto Rico, the question of self-determination for the Puerto Rican nation remains unresolved. Independence, as espoused by Legislative Assembly Senator Rubén Berrios Martínez, is not the answer (“Puerto Rico’s Decolonization,” November/December 1997). Public opinion polls show that only five percent of Puerto Ricans support that option. But proposals for statehood or commonwealth remain deadlocked within both Puerto Rico and Congress.

Although a bill designed to assure statehood passed the House in March, Senate Majority Leader Trent Lott (R-Miss.) has signaled that the Senate is unlikely to act on it this session. Once more, the resolution of the status of Puerto Rico has been left hanging. It is morally unacceptable, unfair, and harmful to Puerto Rico and the United States for

Congress to relegate the issue to business as usual—that is, do nothing, wait for a Puerto Rican initiative, play with it for a while but take no action, wait for the next initiative, and repeat the cycle. Such insensitivity undermines Puerto Rico’s capacity for self-government, inflicts considerable hardship on its society, and drains the U.S. Treasury.

The status debate has raged in Puerto Rico for half a century, dividing the people and breeding unending conflict—at worst bloody, at best bitter and destructive. At least 75 percent of Puerto Rican voters align themselves with status options rather than candidates, programs, or solutions to pressing problems. This orientation distorts governance. It is as if choosing to break up the United States into 50 pieces or redefine the states to cut their numbers in half were the only issue in every presidential election.

RAFAEL HERNÁNDEZ COLÓN was Governor of Puerto Rico from 1973 to 1976 and from 1985 to 1992.

THE DEMOCRATIC DEFICIT

All factions do agree on the need to end the present undemocratic arrangement, whereby Puerto Rico is subject to the laws of Congress but cannot vote in it. The bitter status conflict in Puerto Rico can be defused only by finding the common values that underlie all the positions of the conflicting parties. The time has come to work toward the common goal of addressing the democracy deficit.

Unsurprisingly, the quality of life in Puerto Rico has deteriorated. The commonwealth has the highest rate of unemployment in the United States, one of the highest crime rates, above-average rates of divorce and single parenthood, the highest rate of below-normal-weight births, and the highest rate of poverty—55 percent as opposed to 10 percent in the United States. To make matters worse, economic growth, which during the 1950s and 1960s was about 9 percent per year, has plummeted in the last decade to about 3 percent, mostly because of investors' fears of the higher taxes statehood might bring.

Despite two plebiscites in 1967 and 1993 showing a popular preference for an enhanced commonwealth, the current bill attempts to engineer statehood by defining "commonwealth" in such a way as to ignore a whole set of constitutional rights—U.S. citizenship, non-territorial status, the ballot in plebiscites—vested in the Puerto Rican people. The commonwealth relationship, in effect since 1952, provided for constitutional democracy with a scope akin to that of state governments and gave generic consent to congressional legislation. Commonwealth supporters viewed this generic consent as an undemocratic deficiency to be corrected in the

future. Congress has applied the laws passed over the states to Puerto Rico, with minor variations, which has engendered dependency. A contrary policy of devolution of powers over such matters as economic regulation, "open-skies" policies, international agreements and representation—which Congress is free to follow under the existing compact—could better stimulate economic development and self-reliance.

Proponents of statehood, who want the right to vote for the U.S. president and Congress, and independentistas, who want to vote for their own president and congress, have always disputed the democratic nature of the current compact, branding it the worst form of colonialism. Both have mounted a full-scale assault on the U.S. Congress to eliminate the commonwealth option from the plebiscite. Proponents of commonwealth have defended the compact but have also striven to modify it to resolve the problem of generic consent by devolution and creative mechanisms of participation.

A TROPICAL QUEBEC?

The status plebiscite, seen as the solution to this dispute, will only engender more conflict. If statehood wins, the margin will be too slim to be acceptable to Congress, and the strife will continue. If Puerto Rico is admitted to the union under such conditions, conflict like that embroiling Quebec—over the legal adaptation of a nation to a distinct society with a separate language—will never end. On the other hand, a president friendly with statehood forces can block the implementation of a vote for an enhanced commonwealth, as Gerald Ford did in 1976. He disregarded a new compact worked out in response to the 1967

plebiscite by a high-level joint U.S.-Puerto Rico task force and submitted a statehood referendum to Congress. Either way, a plebiscite will leave Puerto Rico deeply divided.

Congress should offer the people of Puerto Rico the opportunity to vote on amending the commonwealth to enable Puerto Rico to be governed in a fully democratic manner. If they vote yes, negotiations toward the perfection of commonwealth would ensue. If they vote no, that would open the door to the exercise of the inalienable right to independence, if the people so wish, and to the traditional process of petitioning Congress for statehood. Only a process of successive petitions with growing majorities can establish that the will for full membership in the United States—and all that will require—is there. ☺

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Dangerous Remedies

Triggering an Epidemic of Drug Use

James E. Burke

Ethan A. Nadelmann's article in *Foreign Affairs* is based on a false premise and will not prevent drug use by our youth ("Commonsense Drug Policy," January/February 1998). His basic belief is that, in a free society, use of any and all psychoactive chemicals is a fundamental human right. This kind of radical individualism allows our judicial system no part whatsoever in shaping, determining, or enforcing drug use behavior. Such a policy would be tragic for the nation and produce an epidemic of drug use among our children. In short, Nadelmann's alternatives to current drug policy are not only drastic and simplistic but dangerous as well.

Nadelmann asserts that "U.S. drug policy has failed persistently" and "made matters worse, not better." He counsels us to "learn from the experiences of other countries." In fact, U.S. drug policy has resulted in extraordinary progress in reducing drug abuse and violent crime—both in

the absolute and in relation to any other country. According to the National Household Survey on Drug Abuse, there were ten million fewer regular users of illegal drugs in 1996 than in 1985. These declines occurred across all demographic and ethnic groups. Even more encouraging has been the progress in reducing cocaine use. There was a 70 percent decline in cocaine use—four million fewer regular users—from 1985 to 1996. According to the Justice Department, the dramatic decrease in cocaine use has been an important factor in the decline in violent crime since 1992.

This extraordinary progress, however, is now threatened. While the decline in drug use among adults is holding at or near ten-year lows, an upward trend has surfaced among young people that, unless reversed, portends another drug epidemic early in the next century. We must apply what we have learned to help young persons—one

JAMES E. BURKE is Chairman of the Partnership for a Drug-Free America.

at a time—make the right decision about drugs. Drug-addicted adults start out as drug-using children. According to the National Household Survey on Drug Abuse, 90 percent of current adult cocaine abusers started using drugs as teenagers; more than half started before their 16th birthday.

Two and a half decades of research from the National Institute on Drug Abuse has shown that the key to preventing drug use among our youth is to increase their understanding that drugs are harmful and socially unacceptable. We cannot accomplish that goal if we follow Nadelmann's advice to "acknowledge that drugs are here to stay" and to "learn to live with them." That kind of laissez-faire approach stands in direct contradiction to what works—a consistent message against use from parents, schools, the media, law enforcement, and all of us in society who influence children. Two 1997 national surveys—one by the National Center on Addiction and Substance Abuse at Columbia University, the other by Harvard University, the Robert Wood Johnson Foundation, and the University of Maryland—have shown that drugs dominate the public's concern about children and children's concerns about their own lives. Waiting until drug users are addicts is not "commonsense drug policy."❷

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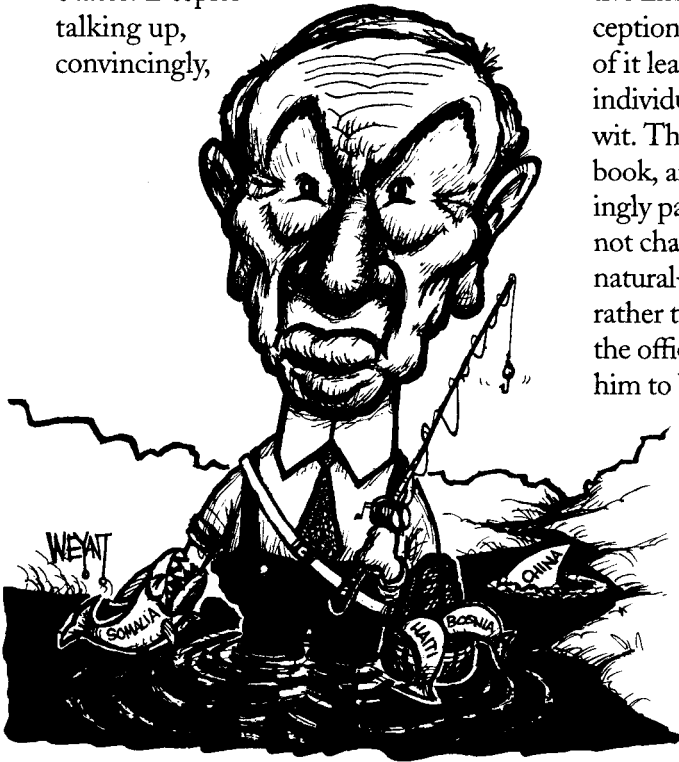
In the Stream of History: Shaping Foreign Policy for a New Era. BY WARREN CHRISTOPHER. Stanford: Stanford University Press, 1998, 616 pp. \$60.00 (paper, \$22.95).

It is emblematic of Christopher's tenure as secretary of state from 1993 to 1997 that what he should see fit to publish, a year after his retirement, is a collection of the principal addresses he made while in office. Although each of these 42 speeches is preceded by an introduction that places it in context, with such material comprising about half the book, the volume contains little information about the internal dynamics of foreign policy-making in the Clinton administration. Unlike previous occupants of his office, Christopher settles no scores. Unstintingly loyal to his president and generous to his colleagues and subordinates, Christopher not only habitually takes the high road but seems utterly immune to the temptation of taking the low one. The resulting book reflects well on his decency, but it is not exactly a page-turner.

Pundits both here and abroad gave the Clinton administration's foreign policy

team almost uniformly low marks in its first two years. Bosnia, Somalia, Haiti, China, and North Korea were the principal exhibits of a pattern of conduct marked by vacillation and contradictory impulses. Much of the blame, inevitably, was laid at the door of the secretary of state. Step by step, however, the administration recovered its balance, and Christopher undoubtedly deserves much credit for the good sense it displayed while doing so. It discovered that making painful choices was a lot less difficult than deferring them. The impossible demand to link the renewal of most-favored-nation trading status to improvement in China's human rights performance was dropped. Force was threatened and used (with, amazingly, no casualties) in both Haiti and Bosnia. The North Korean crisis was defused. Those resolutions, in turn, shuttered momentarily the nattering nabobs of negativism and enabled the administration to claim, more and more convincingly, a solid record of accomplishment. That many Republicans were simultaneously relapsing into aggressive unilateralism made the Clinton administration look all the better. Christopher's farewell speech, which warns of the collapse in "diplomatic readiness" brought about by congressional cuts in the international affairs budget, speaks eloquently on this score.

Despite the administration's successes in the last several years, the tensions that bedeviled it at the outset have not altogether disappeared. It has reconciled, thus far, the expansion of NATO with the imperatives of maintaining good relations with a newly democratizing Russia; it is most doubtful that it will be able to do so in the future if expansion is not limited. In effective concert with Europe and Russia, it brought peace to Bosnia with an ambiguous formula that froze everything but settled nothing. It secured the ratification of the North American Free Trade Agreement (NAFTA) and the establishment of the World Trade Organization, and has presided over a period of extraordinary prosperity, but it has not been imaginative in devising policies to cushion the impact of globalism on low-wage workers in the United States. Despite talking up, convincingly,



the merits of engagement with China, it continues to defend policies of a contrary bent, like the embargo against Cuba, for which there is no evidence of success. How those tensions are resolved will inevitably affect the judgment of Christopher's legacy, insofar as this quintessential team player may be said to have left a distinctive imprint of his own.

A History of the American People. BY PAUL JOHNSON. New York: HarperCollins, 1997, 1,088 pp. \$35.00.

This brilliantly executed history achieves the same level of excellence as two of Johnson's previous works—*A History of the Jews* (1987) and *Modern Times: The World from the Twenties to the Eighties* (1983). (Indeed, a good many pages are drawn verbatim from the latter work). Johnson's gift is to combine a strong narrative line, a boundless curiosity, and an exceptionally sound judgment of events, all of it leavened with a fine appreciation of individual character and, not least, great wit. There are various minor errors in the book, and the final sections have an annoyingly partisan character, but these flaws are not characteristic of the work as a whole. A natural-born polemicist, Johnson seems rather to improve himself when he assumes the office of the historian, for this obliges him to balance his own strong judgments with the report of an opinion contrary to his own. The result is a fascinating history that should appeal to a broad audience.

Flawed Giant: Lyndon Johnson and His Times, 1961-1973. BY ROBERT DALLEK. New York: Oxford University Press, 1998, 754 pp. \$35.00.

Recent Books

Vietnam: The Early Decisions. EDITED BY LLOYD C. GARDNER AND TED GITTINGER. Austin: University of Texas Press, 1997, 228 pp. \$35.00.

Lyndon B. Johnson's Vietnam Papers: A Documentary Collection. EDITED BY DAVID M. BARRETT. College Station: Texas A & M University Press, 1997, 869 pp. \$94.00.

Taking Charge: The Johnson White House Tapes, 1963-1964. EDITED BY MICHAEL R. BESCHLOSS. New York: Simon & Schuster, 1997, 591 pp. \$30.00.

Letters to Kennedy. BY JOHN KENNETH GALBRAITH. Cambridge: Harvard University Press, 1998, 158 pp. \$24.95.

Vietnam Shadows: The War, Its Ghosts, and Its Legacy. BY ARNOLD R. ISAACS. Baltimore: Johns Hopkins University Press, 1997, 236 pp. \$29.95.

With the opening of private papers and the release of government documents, books on the Vietnam War continue to pour from the presses, and the blood-dimmed tide shows few signs of receding. Dallek's engaging work, which continues his biography of LBJ begun in *Lone Star Rising: Lyndon Johnson and His Times, 1908-1960* (1991), is at once admiring and distrustful of a figure who rose at times to great achievement but also, according to the author, entertained fears that bordered on the clinically paranoid. Dallek struggles heroically to come to terms with this contradictory figure but in the end confesses a certain bafflement, quite as if he had been subjected for years to the famed "Johnson treatment" and is still unsure whether he should be charmed or appalled.

Vietnam: The Early Decisions is a handsomely produced volume of essays from some of the best Vietnam scholars,

based on a conference at the LBJ Library, that focuses on the great question of whether John F. Kennedy, had he lived, would have trod further onto the dark and bloody ground. No consensus is reached here, although the preponderant view casts grave doubt on the admissibility of the slender hearsay evidence that Kennedy intended to get out after the 1964 elections. Two collections of original documents—Barrett's compendium covering the years from 1963 to 1968 and Beschloss' superbly edited and vastly entertaining White House tapes—bear closely on this question, for they show Johnson expressing all the doubts, and more, that Kennedy had held yet nevertheless concluding that he had no alternative but to avoid a shattering defeat. The witty and agreeable effusions of John Kenneth Galbraith, ambassador to India from 1961 to 1963, support a similar point, for even though Galbraith was strongly opposed to any steps that would commit American troops to combat, he was in favor of expressing "our determination not to let the Vietcong overthrow the present government."

The various ways in which the war continues to haunt its survivors is explored with great sensitivity and insight by Isaacs, who ranges widely—among veterans, the political elite, and Vietnamese who either conquered or fled—in his search for the elusive yet undoubtedly powerful significance of the war in national memory.

A Half Penny on the Federal Dollar: The Future of Development Aid. BY MICHAEL O'HANLON AND CAROL GRAHAM. Washington: Brookings, 1997, 102 pp. \$14.95 (paper).

Americans are accustomed to regarding their allies as slackers, but Europe and

Japan have much better records on overseas development assistance than the United States. As this fair-minded overview points out, the United States devotes to aid a smaller percentage of its GDP than any other rich country. O'Hanlon and Graham think the burden-sharing argument for greater aid is weak, since the United States contributes more than its fair share to international security, but they nevertheless argue for a return to the \$12 billion annual average of recent decades from the \$9 billion of 1997 (projected to fall to \$6 billion soon). The authors' principal recommendation is to reduce aid sharply to poor performers and to reward states that have established the neoliberal policies necessary for economic growth—a form of triage that may be necessary to restore domestic support for aid but that leaves one wondering whether the rich world can truly escape the consequences of cutting adrift the desperately poor.

The Great Betrayal: How American Sovereignty and Social Justice Are Being Sacrificed to the Gods of the Global Economy.

BY PATRICK J. BUCHANAN. Boston: Little, Brown, 1998, 384 pp. \$22.95.

This polemic, offering an impressive historical and logical case for protective tariffs, takes aim at the "global elite" who have "treasonously" sacrificed their fellow countrymen on the altar of free trade. Buchanan contends that the nation is paying a huge price for the consumerist cornucopia down at the mall, including a fall in real wages, broken families, rising delinquency, substance abuse, promiscuity, illegitimacy, abortions, and ethnic squabbling—just about every social ill, indeed, save the heartbreak of psoriasis.

Buchanan ignores the destructive consequences for the world and the U.S. financial system that his program of high tariffs would entail (a point his hero, Alexander Hamilton, would surely not treat with such cavalier disdain). Yet internationalists need to take seriously the human costs of free trade that he details. If the prosperity advanced by free trade is confined simply to "401k America," liberalizing the international economy hardly deserves the encomiums that internationalists are wont to give it.

From Wealth to Power: The Unusual Origins of America's World Role. BY FAREED ZAKARIA. Princeton: Princeton

University Press, 1998, 199 pp. \$29.95.

This original and well-written work takes up an intriguing question: Why did the United States not expand for over three decades after the Civil War, when its power was such as to present few external obstacles? Expansionist projects proved abortive, Zakaria argues, because of the institutional weakness of the American state from 1865 to 1889. Growth of national and presidential power, in turn, accounts for expansion in the 1890s. Zakaria skillfully develops that explanation for the postbellum era, but his framework does not fit the expansionist 1840s, when the American state was much weaker than at any time after the Civil War (and when, as David Potter once observed, the nationalists were not expansionists and the expansionists were not nationalists). The author challenges the claims of "defensive realists," who see expansion as a response to external threats, but his harsh judgment of these theorists obscures the belief he shares with them—that the task of theory is to offer explanations on

the model of the physical sciences that are abstract and deterministic. Raymond Aron demonstrated a generation ago why such a conception of theory is impoverished. 'Tis a pity that political scientists seem intent on pursuing it.

Political and Legal

FRANCIS FUKUYAMA

Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed. BY JAMES C. SCOTT. New Haven: Yale University Press, 1998, 445 pp. \$35.00.

This important book dispenses with ideological posturing and tries to explain systematically why it is that states have so often failed in their ambitious projects to engineer society or the natural environment, leading to counterproductive if not disastrous outcomes. While this theme has become a commonplace, the author's choice of cases is fascinating and goes well beyond the familiar ones like Soviet collectivization. He begins with scientific forest management in Germany that planted trees in straight rows without regard for ecological diversity, continues through the high urban modernism of Le Corbusier that led to unlivable cities like Brasília, and the forced resettlement of people into villages in Tanzania. States (and this can apply to large corporations as well) want to simplify reality and fit it into their own administrative categories, inevitably discarding local knowledge that is often critical to managing the complexities of social life and the natural environment. In addition, the ideology of high modernism regarded surface order as an aes-

thetic value in its own right, leading planners to bulldoze older tenement neighborhoods that contained dense social networks for sterile high-rise developments that atomized their inhabitants. When coupled with the coercive power of the modern state and a weak civil society, these tendencies resulted in disasters like the Great Leap Forward. In place of the arrogance of twentieth-century planners, the author recommends reliance on what he labels *metis*, a more practically and locally rooted kind of knowledge. My only criticism is that the author left out an already-written chapter on the Tennessee Valley Authority—America's great foray into large-scale social engineering—for reasons of space.

Who Killed Homer? The Demise of Classical Education and the Recovery of Greek Wisdom. BY VICTOR DAVIS

HANSON AND JOHN HEATH. New York: Free Press, 1998, 290 pp. \$25.00. Although ostensibly focused on the narrow issue of the decline of classics as an academic discipline and as a subject of study in American universities, this book is really about the loss of a common, humanistic core in contemporary education and culture. The great thinkers of the Western tradition—from Hobbes, Burke, and Hegel to Weber and Nietzsche (who was trained as a classical philologist)—were so thoroughly steeped in Greek thought that they scarcely needed to refer back to original texts for quotations. This tradition has come under fire from two camps, one postmodernist that seeks to deconstruct the classics on the grounds of gender, race, and class, and the other pragmatic and career-minded that asks what value the classics have in a computer-driven society. The authors' defense of a traditionalist approach to the

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classics is worthy. The lowering of the horizons of politics to guarantee mere life rather than the good life, the substitution of institutions for education as the foundation of civil order, and the basing of legitimacy on rights rather than duties were innovations of the liberal Enlightenment that abandoned key elements of classical political theory. Genuine recovery of that tradition requires more than defense against varied feminists and deconstructionists; it means a thorough rethinking of the modern Enlightenment project itself.

The Future in Plain Sight: Nine Clues to the Coming Instability. BY EUGENE LINDEN. New York: Simon & Schuster, 1998, 256 pp. \$25.00.

For those troubled by their ability to sleep soundly at night, this book provides nine reasons why the world may experience dramatic instability by the middle of the next century. Most of these nightmares are familiar: panics in the global financial system, overpopulation, widening wage disparities, rapid climate change, outbreaks of new diseases, and rising religious fundamentalism. The second half of the book consists of vivid scenarios for the future where the icecaps have melted or populations have succumbed to horrifying epidemics.

All this makes for entertaining reading. What is less clear is that any of these futures are “in plain sight,” as the title suggests. Several of the phenomena that pose such frightful risks for Linden may actually represent positive trends: the growing wage disparities among Americans benefit workers in developing countries who are being drawn into the modern economy. The growth in religious belief represented by movements like the Promise Keepers may strengthen values and community.

Conquests and Cultures: Military Expansion and the Making of Civilization. BY THOMAS SOWELL. New York: Basic Books, 1998, 512 pp. \$35.00.

Together with *Race and Culture: A World View* (1994) and *Migrations and Cultures: A World View* (1996), this book completes a trilogy on which the author has been working for nearly two decades. The central argument of this as well as the previous books is that differences among the world’s peoples—in terms of economic performance, science and technology, artistic production, even IQ—are primarily the products of their cultures rather than the exploitation of one group by another. In this volume, Sowell notes that the West had no monopoly on conquest and empire, only better organization and technology, and that conquest has been a virtually universal pattern among human groups throughout history. While many conquests resulted in brutal oppression, others led to cultural diffusion and ultimately progress on the part of both enslaved and enslavers.

A Philosophy of International Law. BY FERNANDO R. TESÓN. Boulder: Westview Press, 1998, 196 pp. \$52.00 (paper, \$25.00).

Immanuel Kant is widely recognized as the father of modern international legal institutions like the United Nations, but international law, according to Kant, must rest on a federation of free states—that is, what are now understood to be liberal democracies. Domestic order based on respect for individual rights and international peace are for him tightly interconnected; a proper federation would therefore look more like NATO than the United Nations. The author of this thoughtful book argues that contemporary international law is based on

formal sovereignty that makes states, regardless of the type of regime or its respect for individual rights, the ultimate arbiters of justice within their borders and the final representatives of their people abroad. But with the rise of new democracies, it is possible to recast international law on a truly Kantian basis, altering the legal grounds for intervention and making the boundaries between domestic and international affairs much more porous. While Tesón's views are not likely to be adopted by the international legal community any time soon, they have a powerful logic behind them.

Activists beyond Borders: Advocacy Networks in International Politics. BY MARGARET E. KECK AND KATHRYN SIKKINK. Ithaca: Cornell University Press, 1998, 228 pp. \$45.00 (paper, \$15.95).

The erosion of the state-centered international order is nowhere more evident than in the rise of a host of transnational activist groups dealing with issues such as human rights, the environment, women's rights, and the like. These groups take the form of networks—neither hierarchical organizations nor market-based forces—bound together by common norms or values. This book usefully traces their rise, beginning with the abolitionist movement of the nineteenth century through more recent movements against foot-binding in China and female circumcision in Africa. Like Stalin, one might ask “how many divisions do transnational networks have?” The answer is that they have information, greatly abetted by modern communications technology, and thus the ability to set agendas for nation-states and transnational organizations like the World Bank, Shell Oil Corporation, or Nestle.

New Worlds, New Geographies. BY JOHN RENNIE SHORT. Syracuse: Syracuse University Press, 1998, 222 pp. \$24.95. This book is, according to the author, a personal one, “fitting an era when we are shifting from metanarratives to personal stories.” The essays in this collection, some previously published, range from a disquisition on the concept of a new world order to ruminations on life as an academic to a dictionary of postmodernism in which the author presents random reflections on a disconnected series of words. Somehow connecting these pieces is the feeling that the world's geography can no longer be defined by the categories of the Cold War and must come to represent the interests of the marginalized. However worthy the latter goal, only an author who is very famous or very brilliant can get away with this kind of self-indulgence, and even then it is grating. Other people should stick to books with a hypothesis, evidence, and conclusions.

Economic, Social, and Environmental

RICHARD N. COOPER

Globaphobia: Confronting Fears about Open Trade. BY GARY BURTLESS ET AL. Washington: Brookings, 1998, 162 pp. \$36.95.

Has Globalization Gone Too Far? BY DANI RODRIK. Washington: Institute for International Economics, 1997, 128 pp. \$21.95 (paper, \$17.95).

Globalization has become a buzzword, both as a fact of life and as a source of anxiety. Many of society's real and imagined

ills are now blamed on it. The first book aims to debunk in layman's terms some of the fallacies that have become almost conventional wisdom, for example that a large trade surplus signifies extensive, even if invisible, restrictions on imports. It also seeks to expose the weak empirical support for some potentially valid concerns about globalization, for example that imports from developing countries bear a substantial responsibility for depressing U.S. wages.

The second book, more technically demanding, is sympathetic to the notion that globalization has significantly changed the structure of open economies. In particular, it has reduced the bargaining power of low-skill American labor and has increased the uncertainties that relatively immobile workers must face everywhere. Rodrik's response to his book's provocative title is that openness conveys major economic rewards, but that societies should—indeed, for political reasons must—be sensitive to the actual and potential losers in an increasingly competitive environment that compels change, and be attentive to preserving their distinctive social values and institutions.

Plenty of Nothing: The Downsizing of the American Dream and the Case for Structural Keynesianism. BY THOMAS I. PALLEY. Princeton: Princeton University Press, 1998, 227 pp. \$27.95 (paper, \$19.95).

The author, an economist at the AFL-CIO, issues a broadside on the U.S. economy since 1970, especially on how workers have fared. He also critiques the dominant intellectual framework that extols minimal government intervention, zero inflation, balanced budgets, and free trade. He points

out that all economies work within a framework set by collective political decisions, and that noninterference by government is an oxymoron. Even free markets require a legal framework for enforcing private property rights. Palley sees the American economy—in the process of dismantling the safeguards and automatic stabilizers developed in the 1930s and 1940s—as highly fragile and at risk of serious depression. He advocates a more activist macroeconomic policy and measures to strengthen the bargaining power of labor. He urges new tariffs on goods from low-wage countries, with the revenues used to encourage higher labor standards. Unfortunately, the book is marred by a tendentious use of statistics. Nowhere is the reader told that real consumption per person has risen 70 percent since 1970.

The Accidental Theorist: Essays on the Dismal Science. BY PAUL KRUGMAN. New York: W. W. Norton, 1998, 192 pp. \$25.00.

Who says economics can't be fun? This book gathers 27 short essays by Krugman, professor of economics at MIT. Many first ran in *Slate*, Microsoft's on-line journal. They range from China's trade surplus and Japan's economic slump through the Mexican and Thai financial crises to American traffic jams and Medicare dilemmas. Krugman's economics are largely mainstream and conventional, his style informal, irreverent, and often whimsical. But he is bitingly serious in exposing the logical fallacies or empirical errors in what too often passes for insight or wisdom in political and journalistic circles. He does not spare the left but saves special irritation for those who still espouse extreme supply-side economics, despite overwhelming evidence

against their theories. Krugman's subtext is that a little systematic thought can protect one from grossly fallacious conclusions based on mountains of data or hundreds of anecdotes. Not a substitute for a good textbook, but a thoroughly enjoyable introduction to the power of economic reasoning.

The Doubly Green Revolution: Food for All in the 21st Century. BY GORDON CONWAY. New York: Penguin Books, 1997, 335 pp. \$16.00.

The author, an eminent British ecologist, recently installed as president of the Rockefeller Foundation, has written a dense, fact-filled book on the world's capacity to feed its growing population and cut malnutrition in half by 2015, as called for by the World Food Summit of 1996. The book underlines the complexities of agriculture in the tropics, where most undernourished people live, especially compared with those in temperate latitudes. It also emphasizes that reducing malnutrition requires not only adequate world food supplies, but practical access to food by poor people, either through their own efforts or through sources of income adequate to make purchases on the world market. The author concludes that a new green revolution is possible, thanks to discoveries in molecular and cellular biology and to the development of modern ecology. But the focus of effort must go considerably beyond rice, wheat, and corn. New research must cover many more local ecologies of tropical products.

Gold, France, and the Great Depression, 1919-1932. BY H. CLARK JOHNSON. New Haven: Yale University Press, 1997, 272 pp. \$27.50.

Johnson makes a new attempt to explain the principal causes of the Great Depression—

or, rather, revives an old explanation that has receded from view. It is that the sharp rise in prices during World War I, combined with a large increase in Indian nonmonetary demand for gold, left the world with a shortage of monetary gold. French monetary stabilization in 1927 left the franc notably undervalued, and an overly restrictive monetary policy led to a substantial withdrawal of gold from the rest of the world—France's share of world monetary gold rose from 10 to 24 percent from 1927 to 1931—putting strong deflationary pressure on an already fragile world economy, especially London, its financial center. The Americans, British, and Germans made many mistakes as well, but the author attributes the main responsibility to French officials, who showed little interest in how the entire system would respond. This will not be the last word, but the story is persuasively told—without equations, which, alas, probably means few young economists will read it.

Military, Scientific, and Technological

ELIOT A. COHEN

The Next World War: Computers Are the Weapons and the Front Line Is Everywhere. BY JAMES ADAMS. New York: Simon & Schuster, 1998, 368 pp. \$25.00.

A veteran defense journalist, now chief executive officer of United Press International, Adams has written a book on war in the information age, drawing heavily on the voluminous periodical literature.

After disquisitions on the menace posed by cyberterrorists, who can, in theory, paralyze financial systems and cause ghastly industrial accidents with a few keystrokes, meditations on the effects of instantaneous worldwide news, and snippets of technologically informed fiction (very much à la Tom Clancy), the author comes to a grim conclusion: "America today looks uncomfortably like Goliath, arrogant in its power, armed to the teeth, ignorant of its weakness." A sensationalist judgment, perhaps, but not necessarily wrong.

First Class: Women Join the Ranks at the Naval Academy. BY SHARON HANLEY DISHER. Annapolis: Naval Institute Press, 1998, 362 pp. \$29.95.

The introduction of women into the mainstream of the American military constitutes perhaps the greatest cultural and organizational change of the last half-century—a more dramatic shift even than racial integration in 1948 or the end of the draft in 1973. Women had served during World War II in separate corps, such as that still in place in the Israel Defense Forces. Beginning in the mid-1970s, women have become, slowly but surely, part of the regular military establishment. The author graduated from the U.S. Naval Academy in 1980, and this is an account of her experiences there. She remains fond and respectful of that troubled institution, although, reading some of her experiences, one occasionally marvels at her loyalty. Unlike today's women midshipmen, her generation had few role models and faced stony hostility from their male counterparts. The service academies are quite different places than they were two decades ago. Young men and women being what they are, however,

one suspects that the mixing of genders in a military environment will never be a simple matter.

The Mad Cow Crisis: Health Care and the Public Good. EDITED BY SCOTT C. RATZAN. New York: New York University Press, 1998, 247 pp. \$55.00 (paper, \$17.50).

Bovine spongiform encephalopathy sounds considerably more precise than "mad cow disease," the affliction that in 1996 led to the extermination of vast herds of cattle, international acrimony in Europe, the expenditure of some \$10 billion, and no verifiable direct human deaths. This compact volume, assembled by the editor of the *Journal of Health Communication*, incorporates a number of scientific, sociological, and political perspectives. As is always the case, reliance on a dozen authors leaves some holes in the narrative and analysis, and much of the writing has an unnecessarily scholastic quality, but the variety of views adduced here makes up for these deficiencies. A useful corrective to those who think that, at the end of the twentieth century, governments make public health decisions, and educated populaces assess risks, on the basis of cool scientific analysis.

Desperate Deception: British Covert Operations in the United States, 1939-44. BY THOMAS E. MAHL. Washington: Brassey's, 1998, 257 pp. \$26.95.

Those who fret about the role of ethnic interest groups in American governance, and campaigns of influence by foreign governments in the formation of the United States' external policy, would do well to read this handy volume. White Anglo-Saxon Protestants and their sympathizers

turn out to have acted as much like an interest group as any group of hyphenated Americans, and the British governments of Neville Chamberlain and Winston Churchill persisted in an adroit and well-planned effort to get the United States into the war. They succeeded, and a good thing too: their wishes and sound policy for the United States (not to mention the rest of the world) coincided. A fascinating account of some of the activities of the British, running the gamut from cleverly skewed spurious polls to the creation of front organizations funded by British intelligence, although one suspects that many others are buried in archives or, alas, hidden from history in files long since consigned to flames.

Debating European Security, 1948-1998. BY WILLEM VAN EEKELLEN. The Hague: SDU Publishers, 1998, 371 pp. \$29.50. Van Eekelen has spent nearly 40 years in public service, culminating in his tenure as secretary-general of the Western European Union from 1989 to 1994. In that role he reinvigorated a moribund organization intended to coordinate military activities by the Western European states. In essentially an extended memoir of his tenure, van Eekelen relates historically significant accounts of the gulf and Yugoslav crises. Despite his best efforts, however, the role of the WEU remains unclear. Once it seemed the appropriate framework for out-of-area operations by NATO countries, but that rationale has dwindled. More depressingly, this confirmed and dedicated European concludes that Europe cannot create its own security system, not for lack of capability but lack of will. The old continent will thus, in van Eekelen's view, continue

to rely on American leadership, even in such obviously European problems as the Bosnian war.

Blue Helmets: The Strategy of U.N. Military Operations. BY JOHN HILLEN. Washington: Brassey's, 1998, 312 pp. \$26.95.

Another contribution to the burgeoning literature on peacekeeping as a military problem. A clear and interesting work, sponsored by the Association of the U.S. Army, it makes the now conventional distinction between traditional and second-generation peacekeeping—the latter being more “bellicose and complex.” Of greatest utility, in addition to a good bibliography and a generally sound narrative, is the exploration of the organizational aspects of U.N. peacekeeping operations. The author concludes that the United Nations should not be expected, or asked, to conduct real military operations. This is, therefore, a muted plea for leaving peace operations that might entail fighting to national armies and traditional coalitions.

Rise of the Fighter Generals: The Problem of Air Force Leadership, 1945-1982. BY MIKE WORDEN. Maxwell Air Force Base: Air University Press, 1998, 281 pp. \$18.00 (paper).

Military organizations change most durably and profoundly when they draw their leadership from new groups. This interesting sociological study by an active-duty colonel focuses on one such transformation. In the late 1940s bomber generals, such as the famous Curtis LeMay, dominated the U.S. Air Force. By the 1980s fighter generals ran it. The credential of combat service in Vietnam helps account for this shift: far more fighter pilots went

to war and came back with the prestige that comes with battle. But, Worden argues, technology (the rise of intercontinental ballistic missiles as competition for bombers) and a narrow doctrinal outlook, in particular, profound reluctance to think through the requirements of limited war, also crippled the bomber pilots' ability to lead. Today, bomber generals are not an endangered species, but there is no doubt who won the competition.

Substance of Civilization: Materials and Human History from the Stone Age to the Age of Silicon. BY STEPHEN L. SASS. New York: Arcade Publishing, 1998, 291 pp. \$24.95.

From a professor of materials science at Cornell comes this easy read, which covers everything from stone, bronze, and glass to diamonds, composites, and silicon. Read this book to discover what made Roman cement superior to all that followed for nearly a millennium, or how aluminum became commercially available because of a process invented in the 1880s. Necessarily superficial, it nonetheless serves as a useful introduction for those interested in how the materials humans use to build the world around them shape their lives.

Western Europe

STANLEY HOFFMANN

A Nation on Trial: The Goldhagen Thesis and Historical Truth. BY NORMAN G. FINKELSTEIN AND RUTH BETTINA BIRN. New York: Henry Holt, 1998, 148 pp. \$22.95 (paper, \$12.95).

Daniel Goldhagen's *Hitler's Willing Executioners: Ordinary Germans and the*

Holocaust (1996) was bound to provoke strong reactions. But the degree of hostility and the amount of vituperation it has elicited from other scholars of the Holocaust and Nazi Germany has been surprising. The most shocking recent example is this book, which consists of two essays that try to show that the "Goldhagen thesis" about the German political culture of anti-Semitism that made it possible for so many "ordinary Germans" to carry out the extermination of the Jews is worthless. Three things are remarkable about this volume. First, both essays, in their hyperbolic overkill, repeatedly distort what Goldhagen has written and overlook and deny the quantity and quality of his sources. Finkelstein, who accuses Goldhagen quite misleadingly of providing a "monocausal explanation" and of diminishing the moral significance of the Holocaust, minimizes the plight of the Jews in Nazi Germany and concludes that Holocaust studies are an expression of Zionist ideology after the Six Day War, when American Jews were "basking . . . in Israel's reflected glory"! Second, this slim volume does not include Goldhagen's careful, detailed rebuttals of the authors' charges; the publisher thus chose to provide the public with a prosecutor's brief instead of presenting both sides of the argument. Third, this brief comes with endorsements by seven distinguished scholars, whose comments (for instance, about Goldhagen's alleged belief in "national characteristics") allow one to conclude that their dislike for his book affected their understanding of his arguments.

Recent Books

Occupation: The Ordeal of France, 1940–1944. BY IAN OUSBY. New York: St. Martin's Press, 1997, 348 pp. \$25.95.

Vichy: An Ever-Present Past. BY ÉRIC CONAN AND HENRY ROUSSO. Hanover: University Press of New England, 1998, 291 pp. \$45.00.

Vichy Law and the Holocaust in France. BY RICHARD H. WEISBERG. New York: New York University Press, 1996, 447 pp. \$45.00.

The most troubled and troubling years in the history of modern France, those dark years of Nazi occupation and the Vichy regime, continue to provoke the fascination and challenge the serenity of scholars in France and abroad. Ousby, a British student of literature, has written a general history of the occupation largely based on well-known memoirs and secondary sources. It is comprehensive, incisive, compassionate, remarkably free of prejudice and condescension, and eminently readable. It does not go very deeply into all its topics, particularly collaboration, but it succeeds in showing how complex, painful, and often atrocious these years were for the French. Ousby is less attracted by politics and ideologies than by individuals—literary figures and Charles de Gaulle—but he has captured the atmosphere of the occupation splendidly.

For the last 30 years, the French have examined their wartime past with relentless passion and ferocity. In 1994 the journalist Conan and the historian Rouso (author of the 1991 *The Vichy Syndrome: History and Memory in France since 1944*, the best study so far of the treatment of Vichy in post-1945 France) published a book about these continuing debates. It has now been translated. It offers to its American readers both a series of case studies about

recent controversies concerning Vichy (including two especially fine chapters on the trial of the Lyons militia chief Paul Touvier for crimes against humanity in 1994, and on former President François Mitterrand's Vichyite past) and an exemplary demonstration by two scrupulous students of history of the art of dealing fairly and accurately with controversial events that the media, in particular, tend to distort.

Why passions are still so hot, more than 50 years after these events, is immediately apparent if one reads Weisberg's book. A professor of law at Yeshiva University, he does far more than study Vichy's anti-Semitic (and almost completely indigenous) legislation. Going beyond the pioneering work of Robert Paxton and Michael Marrus (*Vichy France and the Jews*, 1981), he examines the role of lawyers, law professors, magistrates, and ministers in carrying out policies of expropriation, exclusion, and elimination. He shows how an apparently liberal legal system can be used for repressive and repulsive purposes, and how Vichy's legal philosophy assumed the fundamental non-Frenchness of Jews. It is a depressing work, based on extensive and original research, and a major contribution to our understanding of the scope, depth, and ugliness not merely of collaborationism, but also of what could be called "ordinary Vichyism." What the recent trial of Maurice Papon suggested about the state's bureaucracy is confirmed here in the case of the legal professions. We knew already about their behavior in Nazi Germany. Now we know about their conduct in Vichy France. This book drives a big nail in the coffin of

the Gaullist myth of a predominantly resistant France, which Jacques Chirac, in July 1995, on the anniversary of the 1942 roundup of Jews in Paris by the French police, decisively repudiated.

Scandinavia and the Great Powers, 1890-1940. BY PATRICK SALMON. New York: Cambridge University Press, 1997, 421 pp. \$69.95.

A British historian specializing in the study of Scandinavia and the Baltic states, Salmon has produced a comprehensive and superbly researched study of the relations between Norway, Denmark, Sweden, and Finland on the one hand, and the great powers, mainly Britain, Germany, and Russia, on the other, between 1890 and 1940. He is particularly successful in showing the ways in which each of the small Scandinavian states succeeded in asserting its own interests and in resisting the economic and strategic pressures of the major powers. He is sensitive to the differences in outlook and capacities among the Scandinavian states, whose cooperation was quite limited. Salmon is also skillful in describing the connections between domestic politics and foreign policy, even though policymaking "remained in the hands of an elite." Much of the book is devoted to the "blurring of neutrality" during the interwar period, to the Nazi interest in Scandinavian raw materials, and to mistaken British assumptions in trying to contain German influence. It is to be hoped that Salmon will now turn to an equally masterful study of the period after 1940.

Western Hemisphere

KENNETH MAXWELL

Beneath the United States: A History of U.S. Policy Toward Latin America. BY LARS SCHULTZ. Cambridge: Harvard University Press, 1998, 476 pp. \$39.95 (paper, \$19.95).

Schultz has accumulated a formidable battery of quotations and examples to support his thesis that American policy has been driven by deep prejudices about Latin American inferiority that go back to the founding fathers, well summarized by the youthful John Quincy Adams: "They are lazy, dirty, nasty, and in short I can compare them to nothing but a parcel of hogs." In 1950, George F. Kennan concluded that "there could be no other region on the earth in which nature and human behavior could have combined to produce a more unhappy and hopeless background for the conduct of human life than Latin America." Schoultz, a professor of political science at the University of North Carolina at Chapel Hill, also emphasizes the interests of American security, domestic politics, and economic development. While there is no denying Schoultz's evidence, his book is a prosecutor's brief, devoid of nuance. President Bush is quoted calling Nicaraguan President Daniel Ortega a "little man," but the Bush of NAFTA is nowhere to be found. And Americans like Nelson and David Rockefeller, long influential in hemispheric affairs, cannot fairly be accused of disrespect for Latin Americans. It is also curious that in a book urging mutual respect, there are virtually no Latin American sources in over 100 pages of footnotes.

Recent Books

A Lexicon of Terror: Argentina and the Legacies of Torture. BY MARGUERITE FEITLOWITZ. New York: Oxford

University Press, 1998, 310 pp. \$29.95.

A powerful and chilling account of the aftermath of Argentina's "dirty war." Between 1976 and 1983, thousands of Argentines disappeared into the netherworld of the military dictatorship's secret concentration camps and torture chambers. Feitlowitz, who teaches translation and writing at Harvard, has reconstructed the terror through extensive interviews with victims and their families. She finds denial and guilt as well as defiance and anger, capturing the full complexity of the lasting impact those years had on Argentine society. "Life for many in Argentina still means constant vigilance," she writes, "an impeding sense of disaster, carnal knowledge of fear. A sense that history never moves on, but circles, raven-like, round and round." Yet she also discovered great reserves of courage and a will to confront the entrenched politics of impunity and amnesia. A major work that deserves to stand among the very best accounts of state terror and those who had the strength and luck to survive it.

Mexico Under Zedillo. BY SUSAN KAUFMAN PURCELL AND LUIS RUBIO. Boulder: Lynne Rienner, 1998, 151 pp. \$12.95 (paper).

An admirable introduction to the dramatic transformation under way in Mexico. Purcell, vice president of the Americas Society, and Rubio, president of the Center for Development Studies, an independent research institution in Mexico City, argue that despite the traumas of the first months of President Ernesto Zedillo's administration, the economic

reforms begun in the 1980s remain largely intact, and that the political system is much more democratic than it once was. Purcell, in a discussion of U.S.-Mexican relations after NAFTA, sees growing complexities resulting from the increased interaction of domestic and foreign policy concerns in each country. Rubio, in a succinct and informative chapter, looks closely at Mexico's political prospects. He sees major progress under Zedillo in the loosening of the relationship between the presidency and the governing party, and between the presidency and the legislature. Since the 1997 elections, the national government not only lost control of Mexico City's government but also failed to retain its traditional control of the Congress, where the main opposition parties now play an increasingly assertive role. But he sees dangers in widespread corruption and in the atmosphere of uncertainty and violence that pervades the political system as it struggles with unfamiliar pluralism and contention.

A Culture of Its Own: Taking Latin America Seriously. BY MARK FALCOFF. New Brunswick: Transaction Publishers, 1998, 284 pp. \$32.95.

Selected from popular writings over the past 15 years, this book demonstrates why Falcoff, a resident scholar at the American Enterprise Institute, has become the most formidable conservative commentator on Latin America in the United States. Falcoff takes aim at his erstwhile academic colleagues, who, he argues, trivialize Latin America by pretending that "these countries are picturesque extensions of American power rather than societies with lives of their own, rich in contradictions and conflict . . ." He sees the Cuban-

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American community as demonized by the academic left precisely because the material and cultural success of the Cuban diaspora has yet to force a revision of its notions of what Latin Americans are capable of achieving without surrendering their own identity, given the right economic and legal circumstances. He also criticizes the image of Latin America as a revolutionary hotbed, which exists "in a kind of ideological cocoon" artificially maintained on "a life support system made up of the *New York Times Book Review*, *Harper's Magazine*, and Pantheon Books."

Negotiating NAFTA: A Mexican Envoy's Account. BY HERMANN VON BERTRAB. Westport: Praeger, 1997, 174 pp. \$49.95 (paper).

Von Bertrab, who holds a Ph.D. in economics from the University of Texas at Austin, was recruited from the Mexican private sector to coordinate Mexico's NAFTA negotiating team's Washington offices. The Mexicans quickly learned they needed the best advice money could buy in order to navigate the intricacies of Congress and to galvanize public support. Von Bertrab was soon directing an armada of government-relations advisers, law firms, lobbyists, public relations firms, former congressional staffers, and government officials, as well as assiduously courting the U.S. Hispanic community. The acrimony of the debate nevertheless came as a shock. Yet as NAFTA took effect on January 1, 1994, rebellion broke out in Chiapas, and before the year was out Mexico suffered a traumatic currency devaluation. Perhaps by learning so well how to work the American political system, these Mexican technocrats paid too little attention to what was happening at home.

The Brazilian Photographs of Genevieve Naylor: 1940-1943. BY ROBERT M. LEVINE. Durham: Duke University Press, 1998, 155 pp. \$59.95 (paper, \$24.95). Levine, director of the Latin American Program at the University of Miami, has brought together a remarkable pictorial record of Brazil in the early 1940s. He has selected a hundred of the most evocative images captured by Genevieve Naylor, who later became well known through her work in fashion and as Eleanor Roosevelt's personal photographer. This elegant volume is also a tribute to the farsightedness of the U.S. Office of Inter-American Affairs under the leadership of Nelson Rockefeller. To help cement an anti-Nazi alliance with South America's largest nation and promote mutual cultural awareness, Rockefeller sent an extraordinary group of Americans to Brazil, including Orson Welles, Walt Disney, and Errol Flynn. Naylor, sent to create photographs for propaganda purposes, soon broke free of the official restrictions, portraying not only the elites but also rural peasants, religious festivals, workers crammed onto Rio trams, and ordinary Brazilians of all races.

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

Autopsy of an Empire: The Seven Leaders Who Built the Soviet Regime. BY DMITRI VOLKOGONOV. New York: Free Press, 1998, 528 pp. \$30.00. Volkogonov, the military man who headed the Russian Archives Declassifying

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Commission, used this access to write biographies of Lenin, Stalin, and Trotsky. Here he compresses the first two accounts and adds chapter-length treatments of the remaining five leaders. A history of the Soviet Union this book is not. Instead the chapters, particularly for Khrushchev and his four successors, are a smattering of biographical impressions and a zeroing-in on a limited number of events. Volkogonov, who died shortly after finishing the manuscript, relies heavily on the parts of the archives, including the important collection containing minutes of Politburo meetings, that he had time to consult. As a result he introduces a fair amount of new material. Overall, however, the treatment leaves enormous gaps, and in several instances, such as the 1968 Soviet intervention in Czechoslovakia and the 1979 decision to go into Afghanistan, further archival work has significantly added to or called into question his interpretation.

To Russia with Fries. BY GEORGE COHON. Toronto: McClelland & Stewart, 1997, 335 pp. \$32.50.

Cohon, head of McDonald's Restaurants of Canada, brought the chain to Russia, an opportunity he had been chasing since the mid-1970s. Originally he had hoped to open in time for the 1980 Olympics, but after three years of exhausting negotiations, at the last minute the contract was scotched. Cohon started over and after six more years began to make headway in what was now the Gorbachev era. Two more years in the labyrinth—perestroika notwithstanding—and he had a deal. McDonald's opened on Pushkin Square in January 1990, with all the U.S. morning TV programs watching. By the end of the day the restaurant had served 30,000

hamburgers, the largest first-day sales in the franchise's 30-year history. Cohon's tale of the long trail leading to this moment, into which he weaves a good deal of his own biography, is not only wonderfully entertaining, but it provides endless insights into the bureaucratic maze that was the Soviet Union and many of the obstacles still facing Western investors eager to enter the Russian service sector. Cohon, as the book conveys, is an effusive, can-do personality. He must also be very stubborn.

Fantasies of Salvation: Democracy, Nationalism, and Myth in Post-Communist Europe. BY VLADIMIR TISMANEANU. Princeton: Princeton University Press, 1998, 210 pp. \$29.95.

If anyone harbored the illusion, Eastern Europe may not turn out to be the best new hope for spreading liberal democracy. Old demons revived and spun into reworked myths by a rich variety of anti-democrats, says Tismaneanu, threaten the region's often still weak democracies.



Given the harsh dislocations of the moment, people are susceptible to the salving but often malignant slogans and promises of leftover elites struggling to find new legitimacy. Their "fantasies of salvation" undermine the value placed on the individual by Enlightenment thought, essential to democracy but increasingly abandoned to the increasingly disregarded hero-dissidents of the pre-1989 period. In its place, he argues, these new-old myths substitute a "communitarian vision" laced with a nasty, sometimes lethal, ethno-nationalist aggressiveness. Tismaneanu's essay has passion and an abundance of labels and ideas, but it comes across as disembodied. Precisely out of what the mythology grows is never fully shared. More telling in its absence is any clear sense of how serious and where specifically the threat is, other than in the former Yugoslavia.

Europe Undivided: The New Logic of Peace in U.S.-Russian Relations.

BY JAMES E. GOODBY. Washington: U.S. Institute of Peace Press, 1998, 256 pp. \$14.95 (paper).

Goodby, a career diplomat, asks how Europe and, more specifically, the United States and Russia, can move from the "conditional peace" of the moment to a "stable peace." How, that is, they can get from a circumstance in which war is improbable but possible and deterrence by military means still relevant to one in which "the use of military force between two states is simply not considered" and nuclear deterrence no longer plays a role. Using his practitioner's experience in nuclear arms control and European security, including the development of a human rights regime, as well as the lessons of Yugoslavia, he first lays out a path by which

"conditional peace" can be made more secure. This entails a reworked fusion of collective security and spheres of influence, but with practical suggestions for each step. From there he sketches an architecture and strategy by which, with American leadership, the great powers can give substance to President Clinton's oft-repeated commitment to a "peaceful, undivided, and democratic [European] continent."

A History of Eastern Europe: Crisis and Change. BY ROBERT BIDELEUX AND IAN JEFFRIES. New York: Routledge, 1998, 685 pp. \$100.00 (paper, \$32.99).

This is large thematic history. From Roman and Byzantine times to NATO expansion, Bideleux and Jeffries situate what the Germans call *Zwischeneuropa*, "the lands that lie between." It is one of their key themes. East-central Europe and the Balkans—or what lately has been called Eastern Europe, to the impatient disapproval of many from the area—are neither Western Europe nor the East, but lands between, between Germany and Russia, Turks and Hapsburgs. As such they have fought and suffered the ravages of both sides: "Avars, Huns, Magyars, Bulgars, Mongols and Turks from Asia; German colonists, Venetian traders and Catholic Crusaders from the West." The marauding, however, does not entirely explain the region's tendency to lag behind developments in Western Europe. Nationalist historians, to illustrate a second of their themes, blame the decline and fragmentation of the Balkans on the Ottoman conquest, but by the authors' account both ills were in process beforehand. They do not deny the peoples of Eastern Europe their place in European history, nor that they have been a part of

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its great movements—the Renaissance, Reformation, and Enlightenment—but deep beneath these common influences, the course of history has made them different from Western Europe. It has left them with weaker traditions of the rule of law, constitutionally constrained government, and carefully separated public and private domains, and with stronger tendencies toward “illiberal ‘ethnic’ nationalism.” Because these differences long antedate communist tyranny, the magnitude and pain of the adjustments the East Europeans will have to make to become “Western” are far greater than many might hope.

Middle East

L. CARL BROWN

The Future of Islam and the West: Clash of Civilizations or Peaceful Coexistence?

BY SHIREEN T. HUNTER. Westport: Praeger, 1998, 195 pp. \$55.00 (paper, \$17.95).

A useful entry to the debate that will not subside: is there an essential something about Islam that ever pulls Muslims toward fixed ideas on state organization and international relations? Or is the historical record of Islam and politics about as complex and ambiguous as that of other world religions? Hunter is in the latter camp, and she deftly boils down centuries of Muslim historical experience into five succinct chapters in making her case. Experts will dispute certain interpretations and even catch her out on a few points, but the overall argument is persuasive. Hunter manages throughout to bring in both Sunni and Shiite histories and traditions. She

then presents Iran and Saudi Arabia as case studies in the role of Islam in shaping foreign policy.

In the Shadow of the Prophet: The Struggle for the Soul of Islam. BY MILTON VIORST. New York: Anchor Books, 1998, 355 pp. \$24.95.

Viorst is in the other camp from Hunter. His is “an exploration into what, after a dazzling beginning, went amiss in Arab society.” Dealing not with the entire Muslim world but only the Arab states and Iran, Viorst sees the present-day “painful religious wars” as revolving largely around aspects of Islamic religion and culture set centuries earlier. Viorst has diligently consulted many standard sources to discuss the role of Muhammad, the development of Islamic law, and the historical roots of the struggle between Muslim modernists and traditionalists. Many specialists will dispute his thesis as too essentialist. More nuanced treatments of the 14 centuries of Muslim Middle Eastern history are available (for example Albert Hourani’s 1991 *A History of the Arab Peoples* or Bernard Lewis’ 1995 *The Middle East: A Brief History of the Last 2,000 Years*). That aside, Viorst has much to offer. A veteran Middle East hand, he presents perceptive accounts of religious and political issues now being played out in Egypt, Sudan, Iran, Saudi Arabia, Algeria, and Jordan, plus a solid chapter on the Muslims of France. Viorst is a master interviewer. Moreover, he has done the hard work of tracking down representative figures on all sides of these issues, presenting many individuals not that well known even to experts.

Central Asia Meets the Middle East.

EDITED BY DAVID MENASHRI.

Portland: Frank Cass, 1998,

240 pp. \$49.50.

The idea of a greater Middle East, including Central Asia, is in fashion. That the several states of Central Asia will figure much more in Middle Eastern diplomacy following the breakup of the Soviet Union seems a safe assertion, but the findings of this book sharply scale back earlier, headier notions of radical change. It contends that Russia will continue to be a dominant player in Central Asia, and that early Turkish and Iranian aspirations are now much more modest following later setbacks. It also argues that the prospects for significant Middle Eastern–Central Asian economic integration are limited in that neither region has as much of the capital, technology, or markets needed by the other as do outsiders. Finally, it claims that prospects for a greater regional reorientation—linguistic, ethnic, or religious—fade before the reality of existing states, however shaky in some cases, engaged in complex balance-of-power diplomacy.

The Politicisation of Islam: A Case Study of

Tunisia. BY MOHAMED ELHACHMI

HAMDI. Boulder: Westview Press,

1998, 204 pp. \$49.00.

The major issue observers raise concerning the fundamentalist Tunisian Islamic Tendency Movement (MTI), founded in 1981 and succeeded in 1989 by Hizb al-Nahdah, is: Was the movement at first moderate and thus a candidate for co-optation into the system? Or were its democratic pretensions tactical cover for a strategic plan to take power by any means? Hamdi, a party activist from 1978 to 1992, sees the movement as having soon created a secret

revolutionary organization. As early as December 1986 MTI prepared for a possible coup even though civil leadership still hoped to control the military wing. And Prime Minister Zein El-Abdin Ben Ali's constitutional coup ousting President Habib Bourguiba in 1987 preempted an MTI coup planned for 48 hours later. Hamdi, however, sees the alleged 1991 attempted coup by Nahdah as trumped up by Ben Ali to dismantle MTI, already isolated from other parties and experiencing internal splits. Hamdi offers much more, including a study of the MTI leader Rachid Ghanouchi's changing ideological positions and the larger historical context of Tunisia in its relations with Islam, Arabism, and Westernization.

The Iran–United States Claims Tribunal:

Its Contribution to the Law of State

Responsibility. EDITED BY RICHARD

B. LILLICH AND DANIEL B.

MAGRAW. Irvington-on-Hudson:

Transnational Publishers, 1998,

400 pp. \$115.00.

The Algiers Accords reached between the United States and Iran in 1981 established the Iran–United States Claims Tribunal to settle financial claims between the two states or their citizens. Several billion dollars and thousands of claims were at issue. Following this agreement the Tehran American embassy hostages were released. The seven chapters, treating, inter alia, “The Tribunal in Jurisprudential Perspective,” eligible and compensable claimants, and debt and contract claims, meticulously cover the cases brought before the tribunal and their implications for international law and practice. A study by legal scholars written for lawyers and other legal scholars, this book may be

tough slogging for nonspecialists but is worth the effort. A fair and judicious presentation of the tribunal's work, it demonstrates how the fallout from even the most explosive interstate confrontations can be cleaned up, in part and post facto.

Asia and the Pacific

DONALD ZAGORIA

The Ministry: How Japan's Most Powerful Institution Endangers World Markets.

BY PETER HARTCHER. Boston:
Harvard Business School Press, 1998,
320 pp. \$24.95.

This is the first full account in English of the Japanese Ministry of Finance—the very powerful institution at the center of the Japanese government, which, according to the author, is responsible for the current crises in Japan's financial system. Hartcher is a highly respected financial journalist, and the critique is based on extensive research and interviews. There is a very good account of the expansion and collapse of the bubble economy. And the author makes a convincing case that the Japanese MOF enjoys a greater concentration of powers, formal and informal, than any comparable body in any other industrialized democracy, that it has masterminded Japan's economic strategy in the postwar era, and that it is badly in need of reform.

Shadow Shoguns: The Rise and Fall of Japan's Postwar Political Machine. BY JACOB M. SCHLESINGER. New York: Simon & Schuster, 1997, 320 pp. \$26.00.

A fascinating and penetrating tale about the Tanaka machine that dominated Japan's

politics for several decades and whose demise in the early 1990s has created a political vacuum that accounts for many of Japan's current problems. Schlesinger's account shows that the Japanese system was never as mysterious as it once appeared but rather was a smoothly run political machine, much like New York's Tammany Hall. It managed economic policy with remarkable consensus and efficiency for several decades, but the costs of holding the system together were huge—blatant favoritism, monumental amounts of pork, and gold-plated corruption. In many ways, as Schlesinger vividly demonstrates, Japan, Inc., was a gaudy, inefficient mess ruled by domineering politicians—"shadow shoguns"—who skillfully rigged the system for their own gain. The big question now facing Japan is whether, as a result of the current process of political adjustment, it can develop a more competitive political system that can meet its new challenges.

The Japanese Wartime Empire, 1931-1945.

EDITED BY PETER DUUS, RAMON H. MYERS, AND MARK R. PEATTIE.

Princeton: Princeton University Press, 1996, 375 pp. \$49.50.

There is a lively scholarly literature, with important implications for international relations, on the causes of imperialism and imperialist expansion. Those who routinely offer simplistic concerns about a possible revival of Japanese imperialism should carefully read the introductory essay by the historian Peter Duus, which admirably sums up the literature.

Japan's takeover of Manchuria in 1931-32 was the doing of a coalition of pro-expansionist domestic forces, led by the military, whose conflicting demands were resolved not by mutual concession but

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mutual inclusion. Practically no imperialist demand went unmet. Thus instead of pursuing a manageable and minimal expansionist program as did the Meiji oligarchs, the leaders pursued a maximal and unmanageable one. A number of factors contributed to the demands for and ideology of expansionism, including growing resource dependency, perceived overpopulation, and the breakdown of free trade. After the takeover, unlike the Meiji oligarchs, who knew that Japan was no match for the Western powers, the leaders became overconfident and reckless, particularly when the West did not respond. Finally, the success of the Nazi armies in Europe in 1940-41 convinced many Japanese leaders that they could form a Eurasian alliance with Germany that would effectively counterbalance Anglo-American power.

Japanese Civilization: A Comparative View. BY S. N. EISENSTADT. Chicago: University of Chicago Press, 1996, 581 pp. \$39.95.

Japan was the first non-Western society to modernize, and Western and Japanese social scientists have long been interested in the ways in which modern Japan differs from modern Western nation-states and industrial societies. In this masterly work, a prominent sociologist analyzes the Japanese historical experience in insightful comparative perspective. Eisenstadt asks what role Japan is likely to play in a new world order dominated by the West. Given its continual ambivalence toward the West and its long preoccupation with the allegedly "pure Japanese spirit," how will Japan fit into a world in which it seems destined to play second fiddle to the United States? And will Japan escape

from its parochialism and genuinely internationalize? There are important structural changes and shifts in policy that indicate a growing openness of Japanese society, but it is relatively limited, and older ways and stronger inward-looking attitudes are quite persistent.

Rediscovering China: Dynamics and Dilemmas of Reform. BY CHENG LI. Lanham: Rowman and Littlefield, 1997, 353 pp. \$54.95 (paper, \$19.95).

This important book, based on Cheng's wide travels and research in China in 1993-95 as a fellow of the U.S.-based Institute of Current World Affairs, dispels several myths. First, to say that China has made great progress in economic reform but little in political reform is too simplistic; the two cannot be separated. Urban privatization, for example, has brought about fundamental political changes. In addition, power has become decentralized at all levels, technocrats have risen to leadership, an independent legal system is being tested, and more grassroots local elections are taking place. Second, the continuation of economic reform is not inevitable. Reforms have elevated a class of "bureaucratic capitalists," created disparities in wealth, and led to pervasive official corruption. They have also uprooted millions. Chinese authorities cannot afford to deliberate for too long upon the growing disparity between rich and poor, a huge pool of 200 million surplus laborers, large-scale rural-urban migration, the lack of a social safety net, and growing urban unrest caused by the mass eviction of families to bleak suburbs. Yet these are tough issues without easy solutions. Third, China will not become a major economic power soon. Although

Recent Books

coastal China has already become an economic powerhouse, much of the country will remain relatively poor for decades.

Power Competition in East Asia: From the Old Chinese World Order to Post-Cold War Regional Multipolarity. BY SUISHENG ZHAO. New York: St.

Martin's Press, 1997, 346 pp. \$45.00.

A Chinese-born and American-educated political scientist, Zhao skillfully analyzes the history of great power relations in East Asia from the decay of the Chinese world order in the nineteenth century through the rise of modern Japanese imperialism to the advent of the Cold War, up until the present post-Cold War era. The first historically comprehensive analysis of power dynamics in East Asia, this volume would be an ideal textbook for a college course in international relations or a useful survey for the informed general reader.

China's Security: The New Roles of the Military. BY MEL GURTOV AND BYONG-MOO HWANG. Boulder:

Lynne Rienner, 1998, 349 pp. \$59.95.

A sophisticated and informative discussion of the Chinese military. There are chapters on civil-military relations, military doctrine, the military economy, China's attitude toward arms control, and the overall role of the military in the Chinese political system. The authors conclude that China's military-industrial complex is larger than ever before and likely to favor a tougher line toward rival powers and a more assertive expression of Chinese political will than internationalists in China would favor. At the same time, they warn that the past suggests no tradition of a unified military view that might stand opposed to the party's.

Looted: The Philippines after the Bases. BY DONALD KIRK. New York: St.

Martin's Press, 1998, 248 pp. \$45.00.

A good, balanced book on the Philippines since the downfall of the Marcos dictatorship in the 1980s is much needed. Unfortunately this is not it. A journalist, Kirk describes a nation adrift. He writes with passion and indignation about rising poverty, joblessness, child labor, crime, and corruption, and the plunder of the state by powerful oligarchic interests. But surely there is another side to the story. The Philippines has experienced high growth rates in recent years, democracy has been restored, and there are numerous signs of change. According to the World Bank, the index of income inequality in the Philippines is lower, and the literacy rate higher, than in Malaysia. And the Philippines now has a per capita income of close to \$3,000 in terms of purchasing power. No doubt the Philippines still suffers from many of the problems Kirk describes, but this book focuses only on the seamy side of the story.

India: From Midnight to the Millennium. BY SHASHI THAROOR. New York: Arcade Publishing, 1997, 362 pp. \$25.95.

An engaging reflection on the 50th anniversary of India's independence. Tharoor wears two hats with equal panache. A senior U.N. official, he is also a novelist; his book, *The Great Indian Novel* (1989), is a virtuoso feat. This volume blends academic analysis and personal observation on a whole range of topics and problems that India confronts—caste, religion, and economics. Tharoor passionately espouses a vision of a cosmopolitan, tolerant, liberal, and modern

India that he believes truly describes his country. At the moment it appears that other descriptions are triumphing.

FAREED ZAKARIA

Africa

GAIL M. GERHART

Capitalism and Nationalism at the End of Empire: State and Business in Decolonizing Egypt, Nigeria, and Kenya, 1945-1963. BY ROBERT L. TIGNOR. Princeton: Princeton University Press, 1998, 419 pp. \$55.00.

Twenty-five years ago a fashionable theory held that imperial powers relinquished political control in Africa only after ensuring that neocolonial economic ties were firmly in place. Revisiting this theory in a masterful comparative study of decolonization in three former British dependencies, Princeton historian Tignor, after exhaustive research in colonial and company records, finds that political concerns dominated economic concerns after decolonization. In Egypt, where Britain retained a large military presence after World War II, geopolitical interests predominated right up to the Suez crisis of 1956. Opposition by business was overridden, and economic costs to both Britain and France proved unexpectedly high. In Nigeria and Kenya, efforts to guide postwar developments in directions favorable to metropolitan investors were problematic and often haphazard. A 1946 decision in Nigeria to create commodity marketing boards unintentionally removed the most powerful mechanism of capital accumulation from the private to the public sector, helping to thwart the

emergence of an indigenous capitalist elite. In Kenya, uncertainties generated by the Mau Mau revolt discouraged outside investment in the 1950s. Thereafter, political considerations remained uppermost as African nationalist pressures drove colonial authorities toward independence negotiations in which, Tignor argues, neither foreign nor local business were key players.

Confronting Leviathan: Mozambique since Independence. BY MARGARET HALL AND TOM YOUNG. Athens: Ohio University Press, 1997, 262 pp. \$39.95 (paper, \$19.95).

Mozambique: U.N. Peacekeeping in Action, 1992-94. BY RICHARD SYNGE. Washington: U.S. Institute of Peace Press, 1997, 242 pp. \$32.50 (paper, \$14.95).

Over Mozambique's first two decades of independence, its ruling party, Frelimo, shifted from an idiosyncratic Marxism to market economics and liberal democracy. Frelimo embraced socialism as a formula for modernization that rejected both traditionalism and the tutelage of Western Europe. But its disregard for rural culture and traditional authorities and a failure to deliver even modest material progress earned Frelimo enmity in large areas, which became susceptible to the brutal, South Africa-backed rebel movement, Renamo. Civil war and the drying up of Eastern bloc aid left no lifeline except the World Bank and Western donors, whose assistance came with the standard conditions. The authors speculate that Frelimo's adoption of neoliberal formulas is no more likely to prove appropriate to Mozambique than its earlier Marxism; the country needs more indigenous solutions.

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Synge adopts a more journalistic approach to major interventions of outsiders in Mozambique, focusing on U.N. peacekeeping efforts during the run-up to the national elections of 1994. Despite some notable failures, particularly in removing land mines and disarming former combatants, he judges the U.N. operations a success. His account of the role of American diplomats during the transition contains several inaccuracies.

Loosing the Bonds: The United States and South Africa in the Apartheid Years. BY ROBERT KINLOCH MASSIE. New York: Nan A. Talese, 1997, 896 pp. \$40.00.

Much has been written about American policy toward South Africa, but no work has so engagingly and authoritatively chronicled the movement by liberal activists to compel American corporations to disinvest during the apartheid era. Massie traces the gradual growth of the campaign to persuade institutional investors (churches, universities, and later state and local governments) to sell stocks of companies doing business in South Africa as a means of pressuring them to disinvest. Some institutions unwilling to divest stock eventually agreed to vote for disinvestment stockholder resolutions—or, more minimally, for resolutions that demanded improved corporate practices by South African subsidiaries. As late as October 1984, the president of Harvard, Derek Bok, was still calling institutional divestment “a dubious strategy.” Yet Massie shows clearly and eloquently how the divestment campaign contributed first to a shift in corporate thinking, then to significant disinvestment, and finally to South Africa’s decision to democratize.

Chad: A Nation in Search of Its Future. BY MARIO J. AZEVEDO AND

EMMANUEL U. NNADOZIE. Boulder:

Westview Press, 1998, 170 pp. \$69.00.

If ever the history of a place embodied Murphy’s law, that place is Chad, Africa’s fifth-largest country. Ethnic and religious divisions, colonial exploitation and neglect, poverty following independence, mismanagement and reliance on foreign aid, plus recurring civil wars fueled by meddling neighbors and regional caudillos have all combined to wreck Chad’s prospects for making even meager progress. The authors of this concise survey of a little-known nation admit to a certain gloom in contemplating Chad’s future. Success will in part depend on Chad’s problematic relations with Libya, Nigeria, Cameroon, France, and the United States. ☹

Letters to the Editor

Japan's Ministry of Finance responds to Edward J. Lincoln

A BIG BANG, NOT A WHIMPER

To the Editor:

Edward J. Lincoln's critique of Japan's response to the challenges facing its financial system and to the Asian currency crisis is misleading ("Japan's Financial Mess," May/June 1998). Although the present performance of the Japanese economy is weak, the government has dedicated itself to stimulating domestic demand through a variety of fiscal and monetary measures. Through its recently announced economic policy package, it has also started disposing of bad debts and imposing structural reform on the financial sector. Meanwhile, Japan has listened intently at G-7 summits and bilateral meetings to the constructive suggestions offered by the United States and other foreign partners.

The series of failures last fall of major Japanese financial institutions fueled mounting unease about the entire system. The government responded with a special emergency measure to avoid similar future problems: injecting 30 trillion yen from public funds into the financial system, 17 trillion to protect depositors and 13 trillion to strengthen bank capital. The objective has not been to rescue or give preferential treatment to individual banks or increase the Ministry of

Finance's influence. Lincoln frowns, but other countries have taken similar actions, and his assessment is unfair at a time of crisis.

Lincoln's skepticism about the Japanese "big bang," designed to overhaul the financial system and move the country toward greater competition, is similarly unfounded. The Hashimoto administration regards such structural reforms as its most important task. In fact, last year the government announced a firm schedule for completing these reforms by 2001. Several measures have already been implemented, and bills to realize the reforms' most important elements have already been submitted to the Diet. In step with the big bang's progress, numerous foreign financial institutions already plan to expand their business in Japan.

Lincoln also claims that Japan is preoccupied with domestic problems and has little interest in the rest of Asia. How can he conclude that Japan is not concerned about crises in neighboring countries? Since last summer Tokyo has actively participated in international assistance programs targeted at the Asian currency crisis and led by the International Monetary Fund. On a bilateral basis, Japan remains the largest provider of support in the region. Japan's stimulus package recognized

that economic recovery at home will help stabilize Asia as a whole.

NAOKI KAJIYAMA

Counselor for International Public Relations, Ministry of Finance, Japan

DO IT THEIR WAY

To the Editor:

Thomas Carothers faults aid agencies for attempting to promote the rule of law through legislative and institutional rather than cultural reforms ("The Rule of Law Revival," March/April 1998). But well-crafted programs in the first two categories are necessarily cultural. Any sustainable effort must rely heavily on host-country partners for its conception and, especially, its implementation. Local attorneys and government officials know what is wrong with their legal system, and, with their professional standing and social connections, are well-placed to fix it. These elites are the key agents of cultural transformation, the transmitters of novel legal and political principles and habits.

Rather than engage local leaders, rule-of-law assistance programs often depend primarily on experts from the donor country. Although this practice may ease communication, satisfy bureaucratic imperatives, or accord with national policy, it renders host elites mere bystanders and misses a valuable opportunity to effect cultural change. If aid agency officials resist the temptation to favor foreign consultants, legislative and institutional reforms can powerfully shape the political and legal culture and

ultimately produce impressive results. But if they do not, these programs are doomed from the start.

SAMUEL LEVY

Senior Democracy and Governance Adviser, USAID/Mozambique

SOUTH OF THE BORDER

To the Editor:

Bernard K. Gordon takes a static approach to international trade when he argues that a hemisphere-wide free trade agreement would not benefit the United States ("The Natural Market Fallacy," May/June 1998). Gordon is right to point out that, with its high import duties, Brazil has never been a major buyer of U.S. exports, but he is wrong to conclude that it would be a poor trading partner. Free trade would let Brazilians purchase products from Silicon Valley and Detroit instead of lower-quality domestic merchandise now kept inexpensive by high tariffs. Gordon cites Chile as a rare example of a Latin American country eager for U.S. goods, but this should come as no surprise since Chile has some of the lowest tariffs in the Americas. With a hemispheric free trade agreement, markets in Brazil and Argentina would become larger versions of Chile.

In his rush to show that such an accord would make little economic sense, Gordon misses the underlying political motives. Hemispheric integration has as much to do with the promotion of democracy as it does with economics. Only recently did many Latin American

Foreign Affairs (ISSN 00157120), July/August 1998, Volume 77, Number 4. Published six times annually (January, March, May, July, September, November) at 58 East 68th Street, New York, NY 10021. Subscriptions: U.S., \$44.00; Canada, \$54.00; other countries via air, \$79.00 per year. Periodicals postage paid in New York, NY, and at additional mailing offices. Postmaster: Send address changes to *Foreign Affairs*, P.O. Box 420235, Palm Coast, FL 32142-0235.

countries emerge from the dark days of dictatorship. By bolstering their economies, a regional trade agreement would be a cost-effective way for the United States to help consolidate these young democracies.

RIORDAN ROETT

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Studies, The Johns Hopkins University*

TURNING DOWN THE HEAT

To the Editor:

My letter in the March/April 1998 issue about Thomas C. Schelling's "The Cost of Combating Global Warming" was edited overzealously and needs amplification (November/December 1997). First, I do not recommend continuing worldwide greenhouse gas emissions at current rates. Constant emissions would mean that concentrations in the atmosphere would increase indefinitely. The goal of the climate treaty is to stabilize atmospheric concentrations at "levels that prevent dangerous anthropogenic interference with the climate system." To stabilize the atmosphere at even two to three times the carbon dioxide levels of the preindustrial era requires world emissions to drop eventually well below today's levels.

Second, the rate of change of greenhouse gas emissions and concentrations may be even more important than the level itself in terms of ecosystem adaptability and stability of ocean currents. The present rates may be too high for comfort and will inescapably increase before remedies can set in, especially if the world delays implementation of a treaty. It is time for a prudent society to take out a sizable insurance policy of

both research and investment in ways to restrain emissions.

Finally, the needed multi-decade transitions to a stabilized atmosphere will require not only sustained research and development to create options but also supportive public policies such as emissions trading, performance standards, and tax reforms.

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FOREIGN AFFAIRS



COMMEMORATIVE SECTION

JULY/AUGUST 1998

VOLUME 77, NUMBER 4

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Special thanks to the Eisenhower Center at the University of New Orleans
and the National D-Day Museum of New Orleans.

FOREIGN AFFAIRS



BLACK STAR

SPECIAL COMMEMORATIVE SECTION

The Berlin Airlift and the Future of the City

THE 50TH ANNIVERSARY

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The Once and Future Berlin

Across the twentieth century and around the world, the German city of Berlin has stirred conflicting passions, ranging from noble to profane, from creative to despairing, responding to its changing symbolism and image. A constant throughout has been a sense that Berlin is more than a city of Germans, that it embodies a political culture with human qualities, both good and ill, somehow inherent in the character of Western society. Paraphrasing John F. Kennedy, we are all Berliners.

Fifty years ago this summer an episode began that transformed the despised Nazi capital, destroyed just three years before, into a beacon of democratic freedom amid totalitarian communism. The Berlin airlift of 1948-49 was the opening battle of the Cold War, and for much of the next half-century Berlin was the focal point of American and Western foreign policy.

In this special commemorative section of *Foreign Affairs*, one of the leading contemporary scholars of diplomacy, Ernest R. May, examines the meaning of "America's Berlin" through the decades of cold war. Even during the Cuban missile crisis of 1962, May argues, it was the U.S.-Soviet rivalry over Berlin that shaped the superpower confrontation. That conflict now ended, declassification of once secret official archives allows publication of an untold story about Berlin's importance to the forces of intelligence and espionage, both East and West. It was here, for instance, that Washington acquired crucial data about Soviet progress in atomic weaponry.

The American military governor of occupied Germany during the airlift, General Lucius D. Clay, was a towering figure at the time, but latter-day histories of the Cold War sometimes relegate him to secondary stature. The profile here attempts to show why this singular officer cannot be fit comfortably into any of the Cold War stereotypes. The distinguished American historian of Germany, Gordon A. Craig, conveys the special character that has made Berlin a unique, motley haven, from the ascendancy of Prussia through the extraordinary outburst of artistic license and entrepreneurship that marked the Weimar era between the world wars. The Nazis were strangely contemptuous of Berlin even during their disastrous rule, Craig shows, and so, paradoxically and on totally different grounds, were the leaders of West Germany during the decades of the Bonn Republic.

Looking ahead, the German political commentator Christoph Bertram defines a possible new meaning for Berlin as it once again becomes the capital of a united Germany, the next turn of the Berlin kaleidoscope. Moving into the 21st century, Berlin and its energetic, idiosyncratic people seek to recover the best of the qualities that built their heritage.

Foreign Affairs is grateful for the support of the Eisenhower Center at the University of New Orleans and the National D-Day Museum of New Orleans in the preparation of this special Berlin supplement.

Peter Grose
Editor, Commemorative Section

America's Berlin

Heart of the Cold War

Ernest R. May

For the United States, the high Cold War commenced with the blockade imposed on Berlin by the Red Army and, in response, the American and British airlift of supplies in 1948-49. Ordinary Americans then began to think major war a real possibility. That phase of the Cold War came to its climax in 1961-62 with the sudden building of the Berlin Wall and a gunbarrel-to-gunbarrel face-off between American and Soviet tanks at an undistinguished urban intersection known as Checkpoint Charlie; then, most terrifying of all, came a crisis ostensibly about Soviet missiles in Cuba but at least equally about Berlin.

Détente was reached at the end of the 1960s and beginning of the 1970s when the American and Soviet governments and those of the two Germanies accepted the division of Germany and of Berlin as facts to be lived with. The Cold War passed into history when the Wall came down in 1989 and Berlin once again became a united city. For Americans, the Cold War always had Berlin at its center. Without the continuing commitment to

West Berlin, their experience of those decades could have been different—possibly better, but possibly much, much worse.

ANATOMY OF A DIVISION

At the end of World War II, Americans were determined to dictate the peace from Berlin, capital of the despised adversary. They believed it had been a mistake not to have done so in World War I. This belief contributed to U.S. insistence on unconditional surrender by the Nazi regime. It also contributed to wartime agreements regarding postwar occupation zones of defeated Germany. Because the zones' boundaries were drawn on the basis of estimates of where Western and Soviet armies would meet up, the prospective Soviet zone included Berlin and much surrounding territory. The inter-Allied agreements provided nonetheless that the United States, Britain, and France would each be responsible for one of four sectors in Berlin. All the victorious nations could thus presume to be present

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in the enemy capital when terms for the future of Germany were laid down.

The final summit conference of the war took place in the summer of 1945 at Potsdam, on the outskirts of Berlin. Bombing had rendered the city almost unrecognizable. Much given to thinking of the present by analogy with the past, President Harry Truman likened Berlin to Carthage. In July 1945 he presided when an American flag was raised over the U.S. headquarters building in Berlin. He would surely have been startled to be told that such a flag would fly until September 1994, when the Four Power military occupation of the city formally ended.

In a breathtakingly short time, the United States evolved from a conqueror of Berlin to the city's protector. Something similar occurred in the relationship with West Germany. American occupation authorities became committed to the economic recovery and political rehabilitation of both Berlin and Germany. In part, this was because the passions of war quickly burned out. Suffering among the German people aroused the compassion of American soldiers and relief workers. As Germans acquired faces and ceased to be simply the enemy, it became easy for Americans to believe that war crimes trials would rid Germany of its devils. In part, too, of course, policy shifted because of the developing rivalry with the Soviet Union. Americans in Germany and in Washington became keen that Western-occupied territory not slip behind what Winston Churchill famously termed the "iron curtain." Knowing something of the brutal despoliation in Soviet occupation zones, American and British authorities hoped to set a different example in theirs. The twin motives of holding off the Soviets

and providing concrete evidence of differences in values worked especially strongly in Berlin, where the Soviet and Western approaches were on daily display.

THE FIRST TEST

The 1948-49 blockade tested America's commitment to West Berlin. The vulnerability of Berlin—located some 100 miles inside the Soviet zone—was obvious on any map. Military planners had studied for some time the possibility of an outright Soviet seizure of the city. That the United States and Britain had demobilized nearly all wartime forces sat heavily on their minds. The counterparts of Willie and Joe, the stubbled GIs of Bill Mauldin's classic newspaper cartoons, had long since gone home. The U.S. troops in Germany and Berlin were mostly green recruits with no combat experience and little combat training. The entire U.S. Army strategic reserve consisted of two and one-third divisions.

Given intelligence estimates that the Red Army had 175 divisions with forward units still in fighting trim, U.S. planners warned that the Western position in Berlin was militarily untenable. General Omar Bradley, the army chief of staff, suggested withdrawing U.S. forces from Berlin before the Soviets put on a squeeze. This, he argued, was preferable to being forced out under pressure, as it would "minimize loss of prestige."

Truman and his secretary of state, George Marshall, rejected that advice. Instead, they pursued efforts to bolster the economies of West Germany and West Berlin, to bind the two more tightly to the West, and to make more manifest the contrast between conditions in the west and in the east. Despite repeated

and increasingly emphatic Soviet protests, accompanied by measures designed as reminders that the Red Army controlled West Berlin's lifelines, the three Western powers announced reforms in June 1948 that joined their occupation zones in Germany and Berlin as an economic unit and, through the introduction of a new currency, blocked the Soviets from continuing to extract reparations from Western zones as well as their own.

Within days the Soviets responded with their blockade—a complete cutoff of road and rail traffic into West Berlin. Here was the crucial moment of the early Cold War. Pentagon officials reiterated to Truman the judgment that Berlin could not be defended. Admiral William D. Leahy, chairman of the Joint Chiefs of Staff, inclined to Bradley's view. He wrote in his diary: "American military position in Berlin is hopeless . . . It would be advantageous to United States prospects to withdraw from Berlin." But General Lucius D. Clay, American military governor of Germany and commander of U.S. occupation forces in Europe, called instead for open defiance. He recommended a 200-truck convoy escorted by tanks and infantry. "It is our view," wrote Clay of the Soviets, "that they are bluffing and that their hand can and should be called now."

Truman and Marshall were not of Bradley's and Leahy's mind. Truman said to his advisers, "We're staying. Period." At the same time, he and Marshall rejected Clay's drastic recommendation. They also rejected a third option—that of retracting the currency reform and returning to the bargaining table. Marshall described U.S. policy as "firm" but "unprovocative." He announced that the United

States and other Western powers would, to the extent of their capacity, supply West Berlin by airlift.

The U.S. Air Force and Britain's Royal Air Force, however, estimated that available airlift could meet only a fraction of West Berlin's needs for supplies and fuel. If the Soviets did not relent soon, it appeared, the Americans and their allies would have to evacuate the city, try an armed probe such as Clay had earlier proposed, or back down on currency reform.

West Berliners' defiance of the Soviets was making any form of retreat increasingly unattractive. In addition to imposing the blockade, the Soviet commander in Berlin cut off electricity to western sectors of the city and demanded that Berliners refuse to use the new currency. The Berlin City Assembly, meeting in the Soviet sector and surrounded by Stalin's troops, rejected the order. Some 80,000 Berliners rallied the next day to applaud the assembly's action. Soviet authorities offered full rations to West Berliners who would register as their supporters; only a handful signed up. When the Soviets then interfered with the City Assembly and other noncommunist organizations, an estimated quarter of a million Berliners demonstrated in Reichstag Square. Appropriately, since Social Democrats were the strongest political group in West Berlin, it was the British Labour government's foreign secretary, Ernest Bevin, who spoke for the Western alliance. Bevin declared: "We cannot abandon those stouthearted Berlin democrats who are refusing to bow to Soviet pressure."

Meanwhile, the American and British air forces uncovered new airlift capabilities. Transport and cargo planes from the war came out of mothballs. Showing the

determination and managerial skill that would before long make the U.S. Strategic Air Command one of the most efficient military forces in history, General Curtis LeMay organized round-the-clock flights into and out of Berlin. At the airlift's peak, U.S. C-54s and British Dakotas landed and took off from Tempelhof, Tegel, and Gatow airports once a minute on average, 24 hours a day, unloading daily the equivalent of the cargo of two dozen normal freight trains. The airlift kept West Berlin well supplied for the many months until Stalin signaled willingness to call off the blockade and finally did so in September 1949. Together, the prudent resoluteness of Western governments, the courage and unity of West Berliners, and the logistic success of the airlift prevented the disappearance of West Berlin into the Soviet sphere.

The blockade and airlift catalyzed an American-European military alliance. True, the Brussels Pact of March 1948 had already united Western Europe for defense against the Soviets, and almost everyone anticipated some American backup guarantee, though not necessarily in the form of the 1949 North Atlantic Treaty. True, too, the continuing Soviet military build-up, the Korean conflict of 1950-53, and the consequent militarization of the United States and of U.S. foreign policy accounted for the configuration of NATO as it eventually emerged. Nonetheless, it was the successful defense of West Berlin in 1948-49 that made the security interests of the United States and those of Western Europe effectively inseparable, at least while the Soviet Union remained powerful and hostile.

The outcome of the first Berlin crisis locked the United States into maintaining

an apparently permanent garrison in the most exposed sector of the European continent. So long as this was the case, there could be no question that if an East-West conflict broke out in Europe, the United States would be fully engaged from the very first moment. Until the end of the Cold War, the U.S. commitment to defend West Berlin would differ in no material way from the commitment to defend New York or Los Angeles.

ALTERNATIVE ENDINGS

Given the tendency among scholars to write of the Cold War as if its course and outcome were predetermined and should have been predictable, it is worth pausing for a moment to note how easily this first Berlin crisis could have had a different history.

Individuals were important. If Truman had been a more timid man—one more like Jimmy Byrnes, his secretary of state before Marshall, or Adlai Stevenson, his chosen and defeated successor—he might have reasoned as Bradley and Leahy did. Had he not heard the cautious counsel of Marshall, Under Secretary of State Robert Lovett, and George Kennan of the State Department Policy Planning Staff, he might have acted belligerently, as Clay recommended. Marshall's and Kennan's successors, Dean Acheson and Paul Nitze, would probably have encouraged him to do so. And without the organizing genius of LeMay, Truman would probably have had to choose an alternative policy, for the airlift would not have kept West Berlin alive through the winter.

Important in retrospect is the paradox that Western strength grew from military weakness. A U.S. commander warned that his garrison in Berlin could be overrun

"before you could say 'Politburo.'" A British general, so it was said at the time, was asked what the Russians would need to reach the Pyrenees and the Atlantic; he replied, "Shoes." This state of affairs lent force to the argument made in all Western capitals that West Germany was just about as indefensible as West Berlin. That was Clay's stated reason for dismissing the notion of preemptive withdrawal. "After Berlin will come Western Germany," he wrote, "and our strength there is relatively no greater and our position no more tenable than Berlin." If the boundary of West Germany had been thought more defensible, the proposal to pull the Berlin garrison back to that line might have had more appeal.

Finally, it is surely significant that the Soviet Union had not yet successfully tested a nuclear device. Truman's resoluteness during the crisis and that of the British government as well owed something to faith in America's strategic superiority over the U.S.S.R. and to a presumption that fear of bombing, especially atomic bombing, would deter Stalin from letting matters get out of hand. Clay based his recommendation for an armed convoy in part on this argument. "They are definitely afraid of our air might," he declared. If either Soviet disinformation or misjudgment by Western intelligence services had given rise to belief that the Soviets already had nuclear weapons, political leaders in Washington and London, and perhaps in West Germany and West Berlin, could well have seen the issues differently.

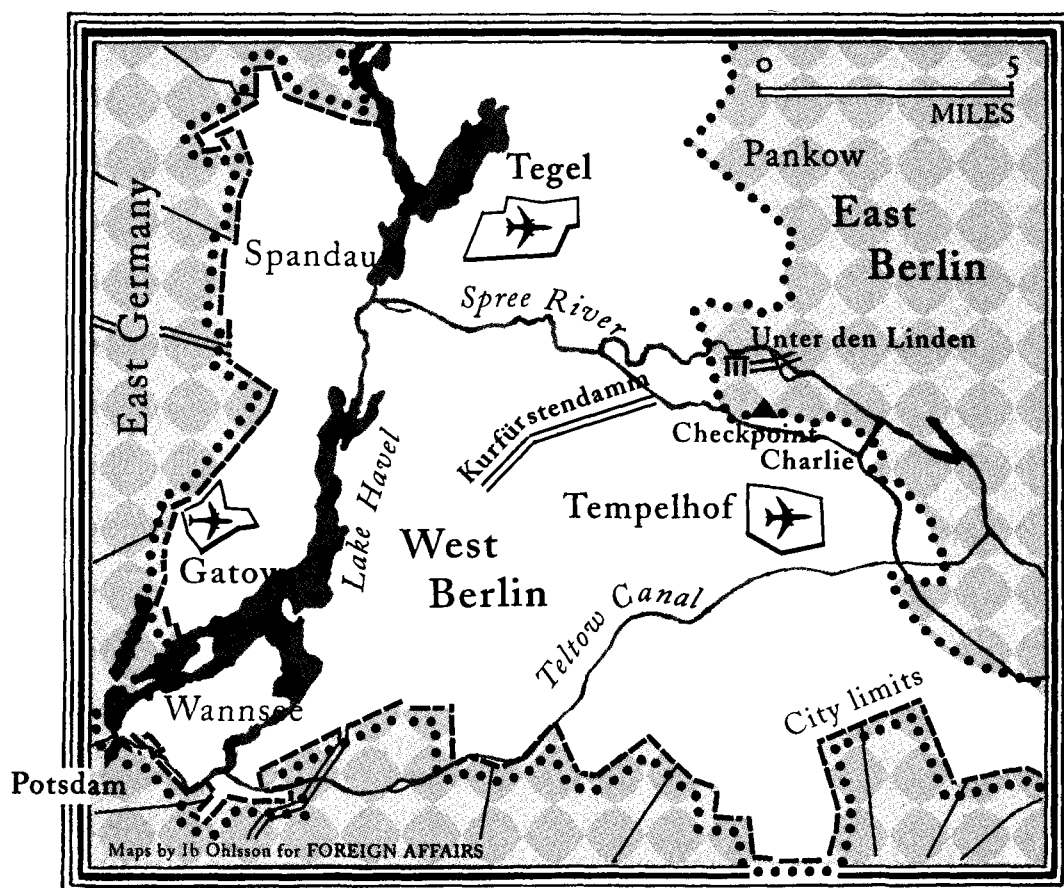
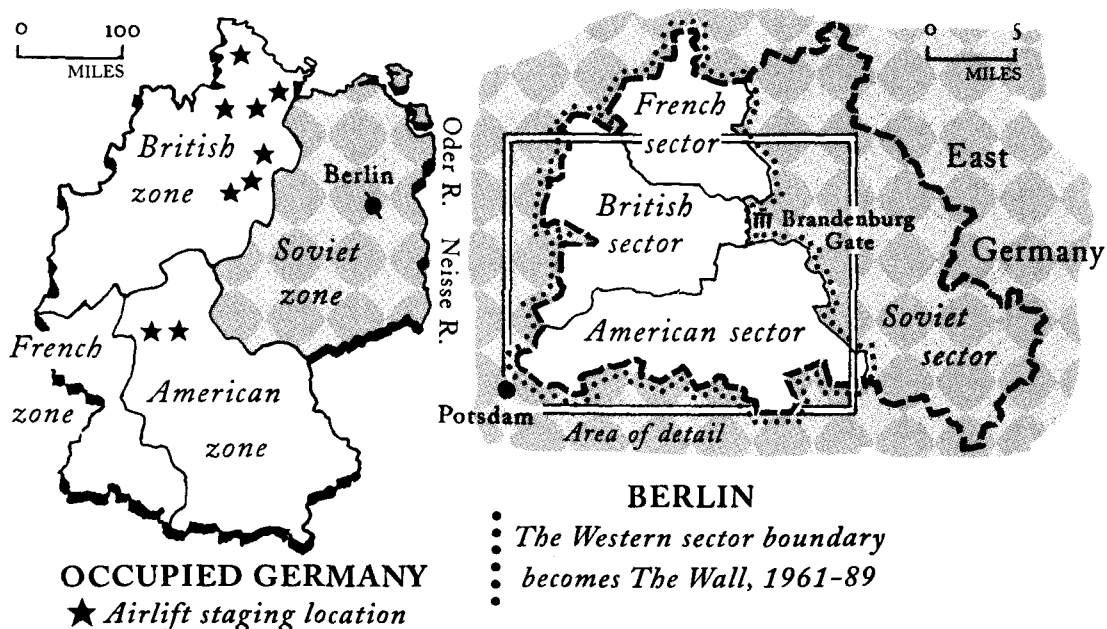
THE CHANGING STRATEGIC PICTURE

When Berlin next became a zone of acute crisis, in 1958-62, conditions had changed. Militarily, Berlin was still isolated and vulnerable. It was now, however, not just

inside a Soviet occupation zone; it was an enclave within a German Democratic Republic which, though clearly under Soviet domination, had a government of its own with reasons of its own for wanting to take over West Berlin. Since East Berlin was the GDR's capital, the fact the city was partly noncommunist was symbolically offensive. On practical grounds, West Berlin was dangerous to the GDR because it was a showcase for the material goods that socialism seemed incapable of producing, and, worse yet, offered an easy escape route from East to West for, among others, the skilled and educated workers whom the GDR most needed if it were to compete economically with West Germany.

Soviet forces stationed in the GDR and surrounding areas still possessed the power to snuff out West Berlin's independence in days, if not hours. The new local conditions posed an additional threat: if GDR police units were to take over functions from the Red Army, the fact of their doing so would challenge the legitimacy of the continuing presence in Berlin of Western military forces. If East Germans rather than Soviets were to examine papers at one of the city's internal checkpoints, they could easily go on to claim within West Berlin other powers that they exercised in East Berlin, for they would not be under the Four Power accords of 1945 that technically governed and limited Soviet activities.

By 1958, the calculus of comparative strategic vulnerabilities had shifted. In the earlier period, the United States and Britain had been woefully weak on the ground but arguably were less vulnerable than the Soviets should war actually come. In addition to atomic bombs, they had had large mobilizable reserves of



conventional bombers. The Soviets had had few that could reach Britain or penetrate the defenses of a revived Fighter Command, and had no evident capacity for direct attack on the United States. A decade later, American strategic air power had expanded immensely. LeMay's Strategic Air Command had deployed medium-range B-47s at bases around the globe and new intercontinental-range B-52s based in the United States. All these planes were armed with nuclear or thermonuclear weapons with many times the explosive power of the original atomic bombs. There was little doubt that SAC could do what an Air Force general had described in the early 1950s as the objective of its targeting—reduce the Soviet Union to “a smoking, radiating ruin at the end of two hours.” And Britain had its own nuclear weapons and aircraft easily able to reach the Soviet homeland.

Neither Britain nor the United States, however, retained its earlier ability to weather a war. The Soviets had multiplied their own stocks of nuclear and thermonuclear weapons. By the late 1950s they had a large fleet of bombers that could reach the British Isles and some that could make one-way flights to North America. Moreover, like the Western powers, the Soviets had invested increasing resources in developing nuclear-armed rockets able to reach distant targets at virtually the speed of a bullet. In late 1957, by putting the Sputnik satellites in orbit, the Soviet Union demonstrated its ability to launch an intercontinental ballistic missile. The United States seemed on the verge of being as totally vulnerable as Britain and the Soviet Union.

Yet another difference between 1948-49 and 1958-62 was the life of Western

Europe. In the earlier period Western European leaders had been in dread not only of the Red Army but of possible communist inroads in their own countries helped by popular belief that the Soviets were irresistible and might as well be accommodated. The leaders had been desperate for American economic aid and political support, and beyond that, for overt evidence of American military backing.

By the end of the 1950s, Europe had achieved both economic recovery and comparative political stability. Although communist parties remained important, particularly in France and Italy, the chances of their turning a Western country into a Soviet satellite seemed nowhere serious. West Germany had become an independent nation. It was beginning to outstrip other states in Europe economically and was increasingly pursuing an independent foreign policy. Its exercise of sovereignty, however, still confronted the potential threat of the GDR taking over Soviet functions in Berlin, a technical challenge that became doubly complicated as the West German government, sensitive to the many East German refugees in the electorate, rigidly opposed any Western dealings with the GDR that might even hint at recognition.

Western Europe's military dependence on the United States continued. In the early 1950s the United States had posted combat divisions in West Germany. They had been committed at a time of greatly increased overall U.S. military preparedness and when the Soviet-sponsored North Korean attack on South Korea was widely viewed as a rehearsal for a comparable effort in Europe. West German military units, as originally envisioned, would

have been replacements for these U.S. divisions. But when such units actually came into being, they served more as adjuncts for U.S. forces presumed to be on permanent station. When rumors circulated, as in mid-1956, that the United States might withdraw its troops, Europeans reacted with high alarm.

Given the growing nuclear arsenals on both sides, however, Europeans were at the same time fearful that the United States might either trigger a nuclear war that would engulf their continent or, to save its homeland, abandon them in a crisis. Fear that the United States might do either too much or too little became acute after the 1956 Suez crisis. For America then to oppose Britain and France (and Israel) seemed to show that the United States could see its interests as at odds with those of its allies. Increased American-Soviet competition in Asia and elsewhere reinforced this perception and also roused concern that Europe could become a victim of a crisis originating elsewhere. In August and September 1958, for example, the United States seemed to threaten nuclear war against the Soviet Union's ally China to deter Chinese occupation of some barren islands off China's own coast.

RAISING THE WALL

In November 1958 Soviet Premier Nikita Khrushchev set off the new series of Berlin crises by demanding that a peace treaty for Germany be signed within six months and threatening otherwise to sign a treaty of his own with the GDR, one effect of which would be to transfer to the East German state all Soviet rights and functions in Berlin. He let the deadline lapse without acting. In 1959, when

he visited the United States, he spoke again of the urgent need to change the status of Berlin. This was to be a topic at a Paris summit meeting in May 1960, but Khrushchev walked out of that meeting to protest American U-2 reconnaissance flights over the Soviet Union. He then announced that after the 1960 U.S. presidential election he would insist the new president come to terms over Berlin. When he met John F. Kennedy in Vienna in June 1961 he declared coolly that he was prepared to fight a nuclear war rather than leave Berlin in status quo.

Sources now accessible in the former Soviet Union reveal that Khrushchev was under pressure from the government of the GDR, which was suffering an exodus of refugees that swelled almost by the day. These sources also show that, in view of the widening split with China, Khrushchev was deeply concerned about seeming unwilling to stand up to the Americans. An important new element was Fidel Castro's success in Cuba; Khrushchev was desperately afraid of a Cuban tilt toward the Chinese.

In August 1961 Soviet and GDR forces suddenly put up the Berlin Wall. Concrete blocks and bricks were deployed overnight, then the hideous structure rose in stages—fence posts and coils of barbed wire, then a high cement-block wall; behind that, a second wall with a deep trench and dog runs; the whole surveyed by watchtowers with searchlights and machine guns like those in a penitentiary. President Kennedy had already been careful to make clear that the United States did not claim any control over the Soviet sector of Berlin. He had said that the United States was committed to defend "the frontier of freedom," but

he had spoken of that frontier as including only *West* Berlin. For theatrical effect, Kennedy sent General Clay back to the city. American soldiers conducted maneuvers in which they tore down replicas of parts of the Wall. At this juncture the American and the Soviet tanks confronted each other at Checkpoint Charlie. Nothing happened. Kennedy and Khrushchev communicated privately, Soviet tanks turned around, and American tanks did likewise.

Some analysts, at the time and long after, concluded that the building of the Wall had ended the protracted Berlin crisis—in Moscow's favor. In fact, the Wall solved few of the problems Khrushchev and his East German allies faced, and made other problems worse. While the Wall prevented more people from leaving for the West and shuttered the Berlin showcase of Western capitalism, it served as an open confession that the GDR could hold its population only behind a prison barricade. For leaders in the GDR, the Wall was no substitute for control of the entire capital. And for Khrushchev, the building of the Wall did little, for he had not achieved the long-sought Berlin settlement, and he had gained nothing in his struggle with the Chinese for predominance within the world communist movement.

In the winter of 1961-62 the Pentagon intensively conjured up scenarios for dealing with a Soviet or an East German move against West Berlin. All these scenarios involved at least heightening the threat of nuclear war. Some called for demonstration nuclear strikes on relatively unpopulated targets in the Soviet sphere.

At the Soviet Party Congress of October 1961 Khrushchev declared that he would

sign his own German peace treaty by the end of the year. Once again he let his deadline pass, but in a personal letter to Kennedy he wrote imploringly, "You have to understand, I have no ground to retreat further, there is a precipice behind." After continuing to make threats throughout the spring and summer of 1962, Khrushchev informed Kennedy that he would wait until after the November congressional elections and then "give him a choice—go to war or sign a peace treaty." Returning from a visit to Europe, U.S. Secretary of Defense Robert S. McNamara said publicly that conditions in Berlin were as tense as at any time since the Korean conflict.

CUBAN MISSILES

In October 1962 Kennedy discovered that Khrushchev was speedily and secretly setting up strategic missile launchers in Cuba. Though some historians have been inclined to accept Khrushchev's post hoc justification that he acted primarily to help defend Cuba against a possible U.S. invasion, chances are that his explanation arose from the fact that all he got from the resultant crisis was a renewed but still conditional U.S. pledge not to invade Cuba. At the time he decided to turn Cuba into a missile base, Berlin was the dominant foreign policy issue in Moscow. Anatoly Dobrynin, who was just leaving to become Soviet ambassador in Washington, recalls that "Germany and Berlin overshadowed everything."

Intertwined with the Berlin issue were new questions about the strategic balance. In October 1961 a Pentagon spokesman had said quietly but publicly that the alleged "missile gap" was nonexistent. Satellite photography proved what U-2

photography had merely suggested—that Khrushchev's claims about turning out ICBMs "like sausages" were largely bluff. This disclosure was not only an embarrassment for Khrushchev diplomatically, but affected the Soviet position vis-à-vis the Chinese, for one count in Beijing's indictment of Khrushchev had been failure to aggressively develop the communist world's overall capabilities for nuclear war. When Khrushchev's experts told him that placing shorter-range missiles in Cuba would partly remedy the strategic imbalance, it had to be welcome advice. No expert on Cuba suggested that these missiles would make Cuba safer; indeed all the specialists warned that Castro might resist because of fear that they would make Cuba more of a target for the United States. But Khrushchev might well have thought, nonetheless, that the missiles would contribute to Cuba's defense. Trying to sort out his motives is like discerning those of a gambler who bets all he has on a single cast of the dice.

Kennedy interpreted the discovery of missiles in Cuba as the opening of a new Berlin crisis. He found confirmation when Soviet Foreign Minister Andrei Gromyko visited Washington just before the discovery was made public. The microphones that Kennedy had secretly installed in the Oval Office and the Cabinet Room captured on tape his report to the Joint Chiefs of Staff the morning after his meeting with Gromyko: "What's basic to them is Berlin—In every conversation we've had with the Russians, that's what—Even last night we talked about Cuba for a while, but Berlin—that's what Khrushchev's committed himself to personally."

THE IMPOSSIBLE STATUS QUO

The dilemma Kennedy faced during the missile crisis had inhered in the American commitment to Berlin ever since 1948-49. There was no conceivable way in which the city could be defended or retaken simply by local use of conventional military force. The only deterrent to a Soviet or East German takeover was a threat of military action elsewhere, almost certainly with air power and eventually, if not immediately, with nuclear weapons. As nuclear arsenals on both sides grew, this increasingly involved a likely if not inevitable escalation to general nuclear war.

The threat to do something militarily in response to Soviet or East German action against West Berlin had been only faintly credible in the period of the U.S. nuclear monopoly. A transfer of B-29s to bases in Britain during the 1948-49 crisis was a bluff by Truman on a par with that of Khrushchev later, for it was evident to the naked eye that these planes and their bases were not equipped to handle the then-boxcar sized atomic bombs. Eisenhower had said privately, considering the possible use of nuclear weapons to defend Berlin, "You might as well go out and shoot everyone you see and then shoot yourself." Nevertheless, he saw no choice but to continue to voice the threat, for the alternative was to concede that the United States could do nothing to prevent two million West Berliners from becoming unwilling subjects of the GDR. A key to U.S. actions during the first half of the Cold War is found in the inability to protect Berlin by any means other than a bizarre proposition: preserving microscopic credibility for an inherently incredible threat.

Before the missile crisis, Kennedy had groped for some alternative. He had said

to one of his aides: "It seems silly for us to be facing an atomic war over a treaty preserving Berlin as the future capital of a reunited Germany when all of us know that Germany will probably never be reunited . . . God knows I'm not an isolationist, but it seems particularly stupid to risk killing a million Americans over an argument about access rights." After the crisis, he spoke of Berlin as "an impossible situation" and pressed his advisers to come up with formulas offering some hope of escape. He did not move far along this line before his assassination in November 1963. The outcome of the missile crisis, fortunately, made it almost impossible for Khrushchev to act adventurously again. His colleagues removed him from office in 1964, accusing him of having "damaged the international prestige of our government, our party, our armed forces, while at the same time helping to raise the authority of the United States." Khrushchev's eventual successor, Leonid Brezhnev, occasionally protested Berlin's anomalous status but precipitated no new crises.

Kennedy had not been the first American policymaker to seek some alternative to defense of West Berlin by threat of nuclear war. Kennan had pleaded for such thinking during his last days as head of the Policy Planning Staff in 1950. In 1953 Eisenhower's supposedly hard-line secretary of state, John Foster Dulles, suggested that the United States propose to the new post-Stalin Soviet government a mutual military pullback, neutralizing Germany, with Berlin, perhaps, as capital.

It was not until 1966 that the effort to find another policy finally bore fruit. In an artful speech in New York, President Johnson declared that the dominant

American interest in Central Europe was peace and stability. The "one great goal of a united West," he said, "is to heal the wound in Europe which now cuts East from West and brother from brother." But, he continued, the wound "must be healed with the consent of Eastern European countries and the consent of the Soviet Union." While his words did not imply abandonment of the ideals of national self-determination and individual freedom of choice, they did imply that the United States was prepared to accept the reality of two Germanies, and of the two Germanies assuming primary responsibility for the status and future of Berlin.

This shift in stance by the United States anticipated but was not independent of the shifts in West Germany that generated a Grand Coalition, eventually made Willy Brandt chancellor, and enabled Brandt to pursue his *Ostpolitik*, establishing a live-and-let-live relationship with the GDR. Like many Johnson administration initiatives, the one on Germany and Berlin was stifled by the Vietnam War and the Soviet invasion of Czechoslovakia in 1968. Like others, such as the first Strategic Arms Limitation Talks (SALT I), it came to fruition in the Nixon administration. Complicated two-power and four-power accords of 1971, deftly orchestrated by Henry Kissinger, seemed to give permanence to the division of Germany and of Berlin, their new status accepted by all parties. In his memoirs Kissinger details the many intrigues required to overcome resistance from foreign offices, military commands, and other bureaucracies habituated to the rigidities of the Cold War. He comments accurately: "Henceforth, Berlin disappeared from the list of international crisis spots."

LET THEM COME TO BERLIN!

From 1948 to 1971 a commitment to Berlin had been a crucial factor in U.S. foreign policy. The success of the airlift left the United States for all these years holding the most advanced military outpost in Western Europe. The need to preserve some degree of credibility for the U.S. pledge to defend West Berlin's population greatly limited Washington's flexibility with regard to any part of the earth in dispute with the supposed Sino-Soviet bloc or, after the bloc's evident fracture, with either the U.S.S.R. or China. That need contributed to the American government's reacting as strongly as it did to, for example, Guatemala's leftward tilt and China's moves to take control of the Quemoy and Matsu islands. It helps account for Eisenhower saying to Kennedy during the 1960-61 transition that landlocked, impoverished Laos was a crucial theater of East-West competition. It also helps account for the conviction carried over into the Kennedy, Johnson, and Nixon administrations that any sign of U.S. weakening on South Vietnam could jeopardize American credibility around the world. One can argue, in other words, that the success of 1948-49 and the consequent commitment to Berlin created a straitjacket for the United States for the duration of the high Cold War.

One can also argue, however, that the commitment to Berlin contributed importantly to the Cold War's becoming what the historian John Lewis Gaddis terms "the long peace." Seeing U.S. tenacity in risking all-out war for such an exposed site may well have had a cooling influence in Moscow and even in Beijing. Strategic theorists argue that nuclear

deterrence gains effectiveness if one side thinks the other not entirely rational. Such assessment may have figured into the Soviet government's refraining from intervention in Yugoslavia, agreeing to negotiated withdrawal from Austria, and exhibiting great caution in the 1950s and 1960s with regard to the Middle East.

Fear of provoking some Soviet move against Berlin certainly made the United States wary about attempting overt action elsewhere, most obviously against Castro's Cuba. After the missile crisis Kennedy's tape recorder caught him musing to one of the chiefs of staff: "What we're trying to do is think of something about Berlin— Because Berlin is really paralyzing— Because everything you want to do, you say, 'Oh, well it will screw us in Berlin.'" Absent the American commitment to West Berlin, the Cold War might more often have verged on hot war. Unquestionably its course would have been different.

After the accords of 1971, Berlin nonetheless retained great symbolic power for Americans. The Vietnam War and attendant demographic and social changes at home had by then created a strong current of doubt that the Cold War was another "good war." But re-runs of pictures of Berliners cheering the airlift helped keep some of the old faith flickering. It was hard for any American—even a doctrinaire "revisionist"—to see the Berlin Wall and not come away convinced that there was some moral difference between the Cold War rivals. Visiting Berlin in 1963, Kennedy declared, "People who really don't understand, or say they don't, what is the great issue between the free world and the communist world—let them come to Berlin!" President Reagan

visited Berlin in 1987 and looked upon a new Soviet regime ostensibly committed to change. Standing a hundred yards from the venerable Brandenburg Gate of old Berlin, he said: "General Secretary Gorbachev, if you seek peace—if you seek prosperity for the Soviet Union and Eastern Europe—if you seek liberalization, come here, to this gate." Then, with the world's television cameras trained on the newer, barbarous barrier dividing the city, Reagan demanded, "Mr. Gorbachev, tear down this wall."

For most Americans, the end of the Cold War came as their television screens in November 1989 showed the jubilation of Berliners tearing down the Wall. Though historians may identify demonstrations in Leipzig or other events as more critical turning points, the images that endure are those of Berliners wielding their hammers and wire-cutters. The transition to an era yet unnamed is symbolized by photographs of President Bill Clinton and Chancellor Helmut Kohl walking arm in arm through the open Brandenburg Gate. In this new era, Berlin is restored as the capital of a united and democratic Germany.

How all this history will be recalled a generation or more from now is hard to foresee. During the Cold War, the United States and Germany were partners. The partnership persists, and Berlin's being the capital may provide reinforcement. Americans may remember Berlin's defiant maintenance of its own independence and freedom, and Germans may have more reason to be reminded of the enduring value of the Cold War relationship with the United States. But books and films also keep vivid for Americans images of Berlin as the city of Hitler, swastika

banners, and Stormtrooper jackboots. And Germans, Berliners included, have a very old and very lively tradition of interpreting American actions as selfish and exploitative. For Germany and Berlin to be once again synonymous could cause Americans or Germans or both to be reminded more of differences and past conflicts than of the closeness between the two peoples after the airlift.

Events could tip the balance either way, and events will control. But the parts of history people best remember tend to be those that are the subjects of lively writing and well-crafted movies and television programs. Perhaps Americans and Germans interested in continuing partnership should invest in making the history of Berlin in the Cold War as unforgettable as its history in the Nazi era. ②

Berlin, the *Hauptstadt*

Back Where It Belongs

Gordon A. Craig

In 1840 the Prussian writer Willibald Alexis published a three-volume historical novel, *The Roland of Berlin*, set in the fifteenth century. It told the story of a heroic *Bürgermeister* who fought to protect the liberties of his city against the depredations of an ambitious ruler, the Hohenzollern elector of Brandenburg, Frederick II, known as Irontooth. It is a stirring story, and Alexis, a writer of pronounced liberal convictions intent on creating a myth for his own time, invested his fifteenth-century Berliners with political virtues that they had probably never possessed and with a degree of success that they had certainly never attained. For in real life Irontooth, when he encountered the burghers' opposition to his curtailment of civic rights and his determination to build a palace on the island between the two arms of the Spree, crushed the nascent revolt without difficulty and threw the statue of the fabled Roland, traditional symbol of town rights, into the river. The Hohenzollern remained supreme in

Berlin and surrounding Brandenburg-Prussia for the next 470 years, until the day in November 1918 when Emperor William II abdicated and fled to Holland.

HOHENZOLLERN BERLIN

The long, uninterrupted Hohenzollern tenure is the most important fact in Berlin's history. It ended the disorder under the robber barons in the half-century that preceded Irontooth's conquest of the city in 1440 and avoided the internecine strife of other German states, caused by disputes over succession and challenges to constituted authority.

From the beginning the Hohenzollern were proud of their capital, their *Hauptstadt*, and served it well. The first electors, for example, set out to attract new trades and expand commerce, introducing paved streets and a more efficient water system and establishing schools for the education of their civil servants, like the Berlinische Gymnasium zum Grauen Kloster, which would one day number Otto von Bismarck

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among its pupils. The Great Elector (ruled 1640–88) built a canal linking the Spree and the Oder and opened his lands to the Huguenots driven from France, who had a positive and permanent effect on Berlin's economy and culture.

Most of the Hohenzollern were instinctively aware that the prestige of a great state depends to some extent on the attention it pays to the appearance of its capital city and the energy with which it promotes arts and letters. Thus the Great Elector's son Frederick, who became the first king of Prussia in 1701, remodeled the royal palace in ornate Baroque style and, just across the Spree, built a handsome armory, the Zeughaus, which is today being given a new, less martial appearance by the American architect I. M. Pei. Frederick's wife, Sophie Charlotte, turned the royal residence into a center of the arts, where her guests engaged in discussion with distinguished scholars like Pufendorf and Leibniz and listened to chamber music and the first opera ever heard in Berlin. Meanwhile, the court was itself an active promoter of Enlightenment thinking.

Even more energetic in these respects were Frederick the Great (ruled 1740–86) and his successors at the end of the eighteenth century, who continued the embellishment of the city by building at the head of Unter den Linden the opera house, the royal library, and the palace of Prince Henry, which housed the university when it was founded in 1809. At the foot of the great boulevard rose Karl Gotthard Langhans' Brandenburg Gate with the dramatic quadriga by Gottfried Schadow, architectural triumphs of which any city would be proud.

The Hohenzollern expected much of their subjects and for the most part got it.

Berliners were profoundly influenced by the dynamism, the ability to surmount crisis, and the orientation toward the future that characterized their rulers, not only in the city's early history but during the remarkable economic expansion that began in 1830, transforming Berlin into a world city and the capital of the German empire. They tended to be energetic, ebullient, colorful in their speech, sentimental, quick at repartee, more often than not optimistic, and courageous in time of trouble.

The nineteenth-century writer Theodor Fontane, who spent most of his life in the city, often criticized the *Berliner Schnauze* (loudmouthedness) and provinciality of his fellow citizens. He once wrote that the Berliner was "an egoistic narrow small-towner. The city grows and grows, the millionaires increase tenfold, but a certain pettiness persists that expresses itself in the belief that mother's dumplings are the best." Even so, Fontane wrote in 1853, one should not forget the Berliner's sound moral sense, belief in equality, and readiness to sacrifice. In 1813, during the war of liberation from Napoleonic rule, Berlin had not only supplied several regiments of the line to the allied armies but had also sent 10,000 volunteers—out of a population of only 180,000—to the front.

The strong-minded Berliners regarded their rulers, at least until the growth of the Social Democratic party at the end of the nineteenth century, with a mixture of loyalty, gratitude, and affection. This is understandable in the case of heroic figures like the Great Elector, whose victory over the Swedes in 1675 was hailed by Berliners as a promise of security and new hope, and Frederick the Great, who

saved the state by sheer determination during the Seven Years' War, and William I (ruled 1861-88), who was Bismarck's sometimes grumbling partner in the creation of the new German Reich.

But the people felt the same toward the eccentric and the less obviously successful members of the dynasty. These included Frederick William IV, who had the misfortune to be on the throne when the revolution of 1848 swept over Germany. Though an indecisive leader in a crisis, he was a great wit whose jokes were repeated with appreciation throughout the city. As for the melancholic Frederick William III, the death of his wife, the beautiful and brave Queen Luise, won him universal sympathy during his long reign, from 1797 to 1840. Berliners even accorded affection to the formidable Frederick William I (ruled 1713-40), although his appearances in the streets of Berlin sometimes made his subjects run away. The monarch would chase after them, belabor them with his stick, and demand to know why they had fled. If they admitted being afraid of him, he would redouble his blows and shout, "You should love me, love me!"

On the whole, they did, and this sympathetic tie between the Hohenzollern and the inhabitants of their capital continued until the last days of Emperor William II, when it became clear to all but the most inveterate royalists among his subjects that he was unwilling to share the fate his irresponsibility had brought down upon them.

"GET OUT OF BERLIN!"

For a long time before the collapse of 1918, Germans outside the capital resisted Berlin's mystique and its claims to primacy. It was what he considered to be the preten-

tiousness of the city and its inhabitants that led the Göttingen physicist and writer of aphorisms Georg Christoph Lichtenberg to write in the 1770s, "I should like to be king of Prussia for a single day so that I could give the Berliner what they deserve." Goethe visited Berlin only once, in May 1778, and was not impressed. Later he called it a prosaic city, bereft of any demonic qualities—a curious remark from one who spent his life in a town as unexciting as Weimar. As for Gotthold Ephraim Lessing, friend of such leading luminaries of the Enlightenment as Friedrich Nicolai and Moses Mendelssohn, he became disenchanted with the city when he failed to secure the post of royal librarian and his play *Minna von Barnhelm* fell afoul of the censor. He left town in high dudgeon, and later wrote:

How can one feel well in Berlin?
Everything there makes one's gorge rise.
Don't talk to me of your freedom of
thought and publication in Berlin. It
consists only of the freedom to publish as
many idiotic attacks on religion as one
wants—a freedom of which any honest
man would be ashamed to avail himself.

But just let anyone try to write about other things in Berlin . . . Let him attempt to speak the truth to the distinguished rabble at court, to stand up for the rights of the subject, and—as now happens in France and Denmark—raise his voice against despotism, and you will realize which country, up to the present day, is the most enslaved in Europe.

Those holding such views became more vocal after the failure of the revolutions of 1848, when Prussian troops became the main agent in suppressing the risings in Baden and Saxony and in ending the possibility that Frankfurt am Main might

become the capital of a democratic—or at least a liberal—Germany. Criticisms were heard even more frequently after the Prussian victories over Austria and France and Berlin's elevation as the *Hauptstadt* of the new Reich in 1871.

On the subject of the new capital, the political publicist Konstantin Frantz was scathing. He had already denounced the constitution of the empire because, in his view, it failed to reflect German history and was a mere amalgam of foreign forms and ideas. In words that reflected the growing concern of many Berliners themselves about the increase in the number of Jewish residents in the city (45,000 in 1880, at a time when there were only 51,000 in all of France and only 46,000 in England), Frantz wrote that the Hohenzollern city was better suited to be the capital of a Jewish Reich than a German one:

One meets here in all areas of public life the arrogant Jew . . . the flea-market and marts-of-trade and stock-market Jew, the press and literature Jew, the parliamentary Jew, the theater and music Jew, the culture and humanity Jew, and—what is unique to Berlin—the city-government Jew. Almost half of Berlin's city councillors . . . are Jews . . . and hand in hand with their kept press and stock-market, they actually control the whole city government.

Frantz's sentiments were shared by a gallimaufry of anti-urban romantics, including Paul Lagarde and Julius Langbehn, who idealized the Germanness of peasant life and regarded the city as a threat to German community and culture, a hotbed of cosmopolitanism and vice. The poet Rainer Maria Rilke in his *Book of Hours* portrayed the city as a rotten

center of materialism and depravity, whose inhabitants

name their snails slime progress . . .
and are conscious of themselves and
sparkle like whores
and make louder noises with metal
and glass.

To writers like these, and many of their readers, the slogan "Los von Berlin!"—"Get Out of Berlin!"—was congenial.

German critics of Berlin were, however, greatly outnumbered by non-Berliners fascinated by the big city and irresistibly drawn by the apparently unlimited possibilities it offered the clever, the energetic, and the courageous. The dispatches from Berlin to the *Breslauer Zeitung* in the 1890s by the theater critic Alfred Kerr help explain the hold the great city had over the popular imagination as the new century approached. Kerr described the capital's educational and scientific eminence, the wonders of its industrial invention, its theater, the most daring and modern in the world. Even in its everyday life, Kerr showed, Berlin was exciting—its scandals and crimes, its smart cafés, a parade to celebrate the anniversary of the birth of William I, a congress on women's rights, a trade fair that mounted a replica of Old Berlin complete with buildings, shops, and costumed natives. The very air of the city, nervous, endlessly quivering, smelled of the future.

Such attractions, and the authority that came from historical continuity, were enough to protect Berlin not only from the unrealistic mouthings of the anti-urban romantics of the nineteenth century but from the threat to the city's primacy posed by the crisis that followed the Great War and the revolution of 1918.

'WEIMAR' BERLIN

Three times this century the question has presented itself: is it appropriate that the capital of Germany be a city that is inevitably associated with the most tragic episodes in Germany's recent past?

In its first elucidation after the fall of the Hohenzollern, the challenge to Berlin as the *Hauptstadt* arose from the fact that the surviving German state was a democratic republic, defined as such in the first article of the constitution proclaimed in August 1919. Many of the drafters of this constitution felt the provincial center of Weimar would be a more fitting capital for the new Germany; after all, it had been the home of Goethe and of Schiller, who had tried to teach Germans that greatness should be measured not in terms of power, but of moral conviction and dedication to freedom. On the other hand, was not Berlin the preeminent symbol of the united Germany that Bismarck had created, and would not the choice of any other *Hauptstadt* be tantamount to accepting the diminished status that the Allies at Versailles appeared to be imposing on Germany for all time? One did not have to stay long in Weimar to understand that it would never be a place where, as Fontane said of Berlin, everything that happened or did not happen impinged on world events. The parliamentarians of that day refused to repudiate history for the sake of a democratic gesture, and Berlin remained the capital.

This identification of the Hohenzollern capital with the nation took another political form. It now became the basic assumption of the politics of extremism, both left and right, that whoever took Berlin ruled Germany. Spartakus Week and the Kapp Putsch of 1920 were the first attempts to

prove this, and one might have thought that the results would have been discouraging, since both were defeated essentially by action from the provinces. But these failures in no way diminished the symbolic importance of Berlin in the eyes of adherents of revolutionary movements. To capture Hamburg or Dresden or Munich, they all agreed, would be to register at best an inconclusive triumph. Thus the anti-republican conspiracy that centered in the paramilitary forces in Küstrin in September 1923 put its hopes in a direct thrust at Berlin. Thus also, the conservative forces who planned later that year to bring down the Stresemann government and replace it with a quasi-military dictatorship counted on diversions taking place in other cities but always regarded Berlin as the center of the action. Adolf Hitler, whose hijacking of that enterprise led to the failed putsch in Munich in November, did not think differently.

HITLER'S BERLIN

Originally, Hitler's Nazi movement had been strongly rural. Many of its first leaders had been members of the *Artamanenbewegung*, a youth movement concerned about urbanization and the flight from the land, whose program foreshadowed the *Blut und Boden* ideology of Walther Darré. Darré himself, Hitler's Reich Peasant Leader after 1933, called for an open attack on big-city culture, capitalism, and Jews and a return from the pluralistic to the organic state, restoring the vital connection between land and people.

Hitler was not inclined to encourage such prejudices by giving them concrete form. To be sure, he never liked Berlin or Berliners any more than they liked him. Proud of what he fancied his own artistic

talents, he was unimpressed by the grandeur of the capital and often said that it should be rebuilt by southerners. As for the Berliners, he did not enjoy their wit or their audacity in lampooning him and his comrades in satire (Kurt Tucholsky's pretend schoolboy essay, "Goethe and Hitler," for example) and music hall song, as in the popular "I Wonder What Adolf Has In Store for Us?" with its gibes at the provincialism of National Socialism. But Hitler recognized Berlin as the only possible capital and resolved that it would be his. He would have nothing to do with the slogan "Los von Berlin!" and adopted another one coined by the prewar agricultural romanticist Leonhard, "Bestürmt wird nun die schwarze Stadt!" ("Now will the Black City be stormed!").

That explains why in 1926, after the Nazi movement had recovered from the debacle of the Munich putsch and resumed its march to power, Hitler appointed Joseph Goebbels the *Gauleiter*, or administrative district leader, of Berlin, giving him the mission of conquering the city. Goebbels never actually succeeded in that, but he revived the fortunes of the Berlin Nazi party and its fighting arm, the Stormtroopers. Goebbels was clever enough at propaganda to contribute powerfully to Berlin's political turbulence in the years of the Great Depression, including the breakdown of morale among workers for the city's public services. His dramatic slogans, his carefully planned street battles with communists touched off by provocative invasions of working-class districts, his campaign of calumnia against police officials—these and other Goebbels inspirations put the Nazis on the map in Berlin.

In January 1933, when Hitler was appointed chancellor, it was Goebbels who turned the event into a grandiose torchlight spectacle, with massed brown-clad columns marching jubilantly under banners accompanied by military music down Unter den Linden, along the Wilhelmstrasse, and past the Reich Chancellery. Goebbels well knew the effect this symbolic capture of Berlin would have on the country, preparing it psychologically to accept the real conquest of Germany that was to come in the months ahead.

Any prejudices Hitler might have had against Berlin disappeared once he became its ruler. As Alexandra Richie writes in her new history of the city, *Faust's Metropolis*, the creation of a new Berlin more beautiful than Paris, more splendid than Vienna, more powerful than ancient Rome, was fundamental to his vision of the future. What we know now about the monstrous plans hatched in his brain and that of his favorite architect, Albert Speer, gives us no reason to believe that he would ever have succeeded in clothing his dream with reality. In the event, his chance to do so was spoiled by his overarching political ambitions and the war they unleashed. Berlin was smashed to bits by Allied bombs and its remnants divided among four conquerors who undertook to govern the city and the country jointly through an Interallied Control Council and a military *Kommandatura* in the divided capital.

FOUR POWER BERLIN

The summer of 1945 marked the first time since 1806, when Napoleon entered the city after the Prussian defeat at Jena, that Berlin was subject to foreign rule. It was not an arrangement designed to last long.

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The old maxim that whoever ruled Berlin ruled Germany, which had animated the German communist party in the Weimar years just as it had the Nazis, determined the policy of the city's new Soviet patron. From the start, the Soviets put difficulties in the way of the administration of the western sectors by sporadic interference with the Western powers' access to the city, which depended on Soviet cooperation since all roads ran through their zone of occupation. Importing food and fuel was always problematical, and when political activity resumed in the city, the Soviet occupation authorities attempted to suppress its free expression.

The failure of this policy of pinpricks to produce effective results goaded the Soviets in 1948 to blockade the city. This coup was in the end defeated by an allied airlift of supplies to Berlin's western districts and by the patience and fortitude of the Berliners, led by their inspiring mayor, Ernst Reuter. This was a startling setback for the Soviet Union, but not a definitive one, as would be demonstrated by the menacing Khrushchev note of 1958 and the long emergency that followed, culminating with the building of the Berlin Wall on August 13, 1961, and ending only when the Cuban missile crisis was resolved in October 1962.

The behavior of Berliners during the blockade transformed their image in the West from beaten and despised foes into allies in a deepening Cold War. The narrowness of the victory, however, the awareness that the threat might be resumed, and the hardening of the line that now divided Europe cast doubt on the advisability of making the riven city the capital of West Germany.

Thus when the Western allies merged their zones of occupation and began the

process that produced the Federal Republic of Germany in western Germany in May 1949, the parliamentary council that approved the new republic's basic law chose, by a vote of 33 to 29, to make the Rhineland town of Bonn the provisional capital until such time as the reunification of the country would allow a return to Berlin. In September the Soviets responded by proclaiming the German Democratic Republic in their communist zone. Contravening the provisions of the Potsdam Agreement for Four Power administration of Berlin, the Soviet Union gave theoretical control of the eastern part of Berlin to the GDR, which promptly established its capital in the urban district of Pankow.

Both provisional capitals found themselves preoccupied with history, ever the fate of Eastern Europe. Bonn had no history of its own to speak of, except as the birthplace of Ludwig van Beethoven and the town from which Carl Schurz set out on his exploits during the revolution of 1848. At first this seemed an advantage, since the western parliamentarians could do their work without constant reminders of the unhappy past in the form of ruined buildings. As time passed, it became less of one. Without a real past, or the physical appearance that a real past would have produced, Bonn had nothing with which to combat the growing crisis of identity engendered by the National Socialist experience and the blockage it represented to historical continuity. This was all too apparent in 1986-87, in the protracted and muddled *Historikerstreit*, or controversy of the historians, when adversaries exchanged charges of obsession with guilt for Nazi crimes and of blindness to the need for a new patriotism in teaching history to a new German generation.

East Berlin, on the other hand, was confronted daily by too much history in visible form, all of it ideologically offensive to communist principles. The communist leadership reacted violently and injudiciously by striking out at the Hohenzollern. In 1950-51 they blew up the royal castle, the finest example of North German Baroque architecture in the city and the residence of the Prussian margraves, electors, and kings from 1470 to 1918. The building had been badly damaged during the heavy Allied air bombardment of February 3, 1945, but its walls were strong and it could have been reconstructed had the communists not wished to make a political statement.

They followed this up with the removal from the middle of Unter den Linden of the equestrian statue of Frederick the Great and the expulsion from the Opernplatz of statues of Blücher, Gneisenau, and Scharnhorst, heroes of the wars against Napoleon. Not content with this, the communists carried their campaign against historical memory far outside the city, transforming the castle of Frederick William III and Queen Luise in Paretz into an institute for animal husbandry and reducing to farmland the park in which the queen had loved to wander, and in Schönhausen destroying the birthplace of William I's loyal servant Otto von Bismarck.

All this frenetic activity was pointless, for its propaganda value was negligible and it did nothing to establish historical legitimacy for the communist regime. Where the castle had stood there was now a waste space that the communists did not have the wit to fill until the 1970s—and then with buildings of socialist monumentality so ugly that they only emphasized what had been lost.

In 1981, when the West German government sponsored a highly praised and well-attended exhibition on Prussia in the Gropius Bau, abutting the western side of the Wall, communist authorities abruptly reversed their policy of indiscriminate destruction. Fearing that the Federal Republic would succeed in appropriating the best of the Prussian tradition for its own purposes, the Pankow regime began to encourage its historians to write on Prussian themes. The statues of the military heroes were returned to their former places, and one day pedestrians on Unter den Linden discovered, to their pleasant surprise, that old Fritz was back too.

BONN AND BERLIN

The relationship between Berlin and Bonn grew increasingly strained during the Cold War. The first chancellor of the Federal Republic, Konrad Adenauer, had always hated Berlin, whose inhabitants he regarded as un-German, if not indeed Asiatic. He waited nearly a year after his election before visiting Berlin, and he invariably placed a low value on the outpost-city's importance to the future of a free Germany. When in the 1950s the American secretary of state, John Foster Dulles, intimated that circumstances might require the risk of nuclear war to protect Western interests, Adenauer protested, "For God's sake! Not over Berlin!"

The average West German did not share this visceral distaste, and indeed was likely to admire Berliners for their courage during the blockade and during the workers' uprising in East Berlin on June 17, 1953. As time passed, however, and the hedonism induced by the *Wirtschaftswunder* (economic miracle) spread, it was accompanied by a growing

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desire for quiet times and a subconscious irritation with Berlin, which always seemed to be causing crises. Even in quiet times, it appeared, Berlin required inordinate subsidies to assure its existence. For their part, West Berliners had a growing feeling that the Germany that they described by the dismissive word *Drüben* ("over there") had no appreciation of, or sympathy for, their problems. The cooling of relations became worse when, after the long Berlin crisis of the 1950s and 1960s, Bonn politicians became interested in *Ostpolitik*, the policy of seeking accommodation with the regime in the GDR and the other governments of Eastern Europe in the interests of European peace. German unification ceased to be a top priority, and as far as Berlin was concerned, Bonn seemed intent only on doing nothing that would encourage another June 17, 1953. Both Bonn and Berlin registered complete surprise when the GDR collapsed like a house of cards in 1989, and German unification came about virtually overnight.

For the third time in the century the question of the *Hauptstadt* arose, although one might have thought the issue had been settled in 1949, with the general assumption that Berlin would become the capital again as soon as reunification was accomplished. But the small town on the Rhine had become a symbol of security and the German tie with the West, whereas Berlin seemed to point in the wrong direction—summoning up memories of the Hohenzollern, the failed Weimar Republic, and all the horrors that followed. The imminent prospect of making good on a promise from dark days for an era too hypothetical even to contemplate now generated agitation in the West.

The influential editor of the Hamburg weekly *Die Zeit*, Countess Marion Dönhoff, wrote in May 1990,

The legacy of Berlin as the seat of Nazi power makes it unsuitable to be the capital of a democratic Germany anxious to bed itself down in a unified Europe. The decision to make Berlin the capital would send out a false signal. It could tempt Germans, even without their intending it, to embark on the path to becoming a nation-state instead of keeping the European goal in mind.

More extreme supporters of Bonn sought to blacken Prussia's and Berlin's reputation by making them responsible for all the crimes of the past, conveniently forgetting Prussia's historical reputation for religious tolerance and openness to refugees from other lands. They overlooked as well the fact that National Socialism had sprung from the provinces rather than Berlin, and that the most spectacular instances of resistance to the Nazis, as to the communists, had taken place in the capital.

Not to return to Berlin would amount to a permanent affront to the five *Länder*, or states, of the former GDR, whose incorporation into a democratic united Germany was a matter of highest priority. That aside, the strongest argument for returning the capital to Berlin came from reflecting on the alternative. Willy Brandt, the former mayor of Berlin and the former chancellor of West Germany, made the point in a remark that aroused much resentment: "It would never have occurred to anyone in France to remain in relatively idyllic Vichy once foreign power no longer prevented a return to the Seine." The implication was that nations of the first rank have an obligation to history,

their own self-respect, and their subjects to ensure that their capital cities are characterized over the changing epochs by dignity and grace and vital force.

Of those qualities, Bonn had none. The pleasant town on the Rhine was, as the historian Michael Stürmer said, "a shamefaced capital of a shamefaced state . . . Now, however, the time has come, in matters of symbols, style and architecture, to make up for what for forty years seemed superfluous because of the German past and the European future." That recompense would become possible only in Berlin.

The *Hauptstadt* controversy at the turn of the 1990s was long and acrimonious, culminating in a protracted debate in the Bundestag on June 20, 1991, after which the deputies voted, 337 to 320, for the return to Berlin. The closeness of the vote was doubtless due in part to worry about the costs of the move and to calculations by government officials who had bought homes in Bonn of the personal losses they would suffer from a swift fall in property values. But more important was the way in which it reflected fears that were not, and perhaps could not be, given rational expression. For the most striking feature of this important decision was that it was accompanied by so little enthusiasm and rejoicing and by so many nameless fears. This puzzled Germany's allies. At an academic conference in Tutzing in March 1993 on the theme of *Angst*, the mode word of the moment, Henri Ménudier, a professor at the Sorbonne, said that no one in France was afraid the shift of Germany's capital would invite a reversion to National Socialism. Rather, there was growing concern about what appeared to be a collective neurosis in Germany, a subconscious preparation for a

catastrophic end, which would make the unified nation incapable of facing up to a crisis.

This was, of course, an exaggeration. As Germany prepared for its change of capital at the century's end, *Angst* was replaced by vigorous search for the best way to remodel the public face of Berlin so that it could represent both its past and its future as the capital of a democratic republic in a united Europe.

In his impressive book, *Capital Dilemma*, Michael Z. Wise describes how politics and ideology impinge upon architecture. He stresses that Berlin will not become the sole locus of political power in Germany. Several ministries will stay behind in Bonn, the president and federal chancellor will retain offices there, and the Bundesbank will remain in Frankfurt, the supreme constitutional court in Karlsruhe, and the Federal Crime Agency in Wiesbaden. In short, in its new incarnation Berlin will become the "capital of a kind of polycentric republic corresponding to an age when national decisions are often taken in consultation with other European Union countries, and ministers conduct their work today in Berlin, tomorrow in London, and the next in Madrid."

None of this diminishes the pride that the robust, idiosyncratic, irreverent Berliners now feel in the return of the German capital to where, in their opinion, it belongs. The dawning century seems to bring a sort of corroboration to their mysterious local belief that "in God's eyes, everyone is really a Berliner."☺

Spies in Berlin

A Hidden Key to the Cold War

David E. Murphy

In the summer after World War II, Berlin's Western and Soviet sectors looked much the same. Damaged buildings and piles of rubble made driving difficult and dangerous. Utilities functioned fitfully. Civilians, whether wandering in search of missing relatives and friends or working in sullen crews to clear the streets, had a dazed and uncomprehending air.

But there the similarity between the parts of the divided city ended. The differences between the occupation forces of the Western allies and the Soviet Union were not simply those of uniforms, language, and culture; they reflected as well the life experiences of the leaders on both sides and the political systems that had produced officials at all levels. Nowhere was the contrast sharper than in the combat of minds and wits on the battlefield of intelligence.

West Berlin was an island in the middle of Soviet occupied territory. With its freedom of speech and press, its cultural and economic links with the wide world outside, it was a constant, vivid reminder of the differences between East and West. From the beginning, the Soviets confiscated

newspapers that had been licensed by Western occupation authorities; by 1947 they were arresting anyone found with such "contraband" in his possession. Easily accessible in those days to East Germans, West Berlin offered the opportunity to maintain Western contacts. Given the right planning and circumstances, it afforded easterners an escape route to the West should they wish to flee.

The image of Berlin prevailing in the West when the Soviet blockade began in June 1948, therefore, was of an "island of freedom," a strategic outpost of democracy against the expansionist pressures of Soviet communism. It was that, no doubt. But many intelligence professionals saw the blockade as a much more specific threat that could not be discussed in public. The Central Intelligence Agency conveyed its assessment in a top-secret report to President Truman on June 14:

Contrary to many published reports, the chief detrimental effect on the US of the Soviet restrictive measures imposed in Berlin . . . has not been interference with transportation and supply, but curtailment

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of certain US activities having to do for the most part with intelligence, propaganda and operations of the [Four Power occupation authority].

For those engaged in these "certain activities," one of the most sensitive matters on which unique intelligence was available in Berlin was Soviet progress toward an atomic bomb. The June 14 Estimate informed Truman and his advisers simply that Berlin was threatened "as a center of an intelligence net covering the city itself, the Soviet zone of Germany, the eastern satellites, and the USSR." Furthermore,

The value of Berlin as a sanctuary and transfer point for anticommunist refugees or Soviet Army deserters has been reduced . . .

The security and transport regulations have limited the value of Berlin as a base from which the US can support anticommunism in the Soviet Zone. Western Zone Germans can no longer easily enter or leave the Soviet Zone, while tightened police controls have reduced the capabilities and the freedom of movement of anticommunist elements already within the Zone.

This official Estimate and related documents of the intelligence community were declassified only in the mid-1990s. At the same time, the end of the Cold War opened access to the archives and surviving intelligence officers of the Eastern bloc, affording for the first time authoritative insights into the battle of espionage in Berlin as the blockade tightened.

THE AMERICAN DISADVANTAGE

West Berlin's vulnerability was the result of wartime decisions about the postwar occupation of Germany. We now know that Donald Maclean, the Soviet spy in the British Foreign Office and the British

Embassy in Washington, kept Moscow informed in considerable detail of American and British disagreements, including at the Yalta Conference of February 1945. In a lengthy report to Moscow the previous September, Maclean described the sparring between Prime Minister Churchill and President Roosevelt over the delineation of the Western allies' occupation zones, the differences within the U.S. government over future occupation policies, and the attempts by Treasury Secretary Henry Morgenthau, Jr., to overturn an agreement with Britain and the Soviet Union on the currency to be used under the military occupation.

At no point during this period did Roosevelt or Churchill obtain from his own intelligence services comparable information on Stalin's plans. Thus on issues such as access to western Berlin, Soviet negotiators were intransigent and their Western counterparts tended to back off for fear of disturbing the wartime alliance. At war's end the imbalance at the conference table had serious consequences on the ground. It became clear to those of us working on liaison with the Red Army in Germany in mid-1945 that the Soviets were rapidly and systematically transforming the dividing line between their eastern zone and the western zone into a frontier between East and West.

The first American military governor of Germany, General Lucius D. Clay, brought to his mission Supreme Commander in Europe Dwight D. Eisenhower's determination to try maintaining the wartime U.S.-Soviet cooperation into the peace. Clay and his military and civilian staff were convinced that cooperation with the Soviet occupation administration in



ARCHIVE PHOTOS

Feeding the cold: U.S. troops prepare to deliver food to Berlin, 1948

its zone of Germany—and in the Four Power authority over Berlin—was the key to achieving this.

Clay dismissed as alarmist early reports from the Army Counterintelligence Corps about Soviet espionage and clandestine support of the Communist Party in West Germany. He was equally disdainful of reports by the Office of Strategic Services

from agents in the Soviet zone; in October 1945 President Truman disbanded this wartime intelligence agency. For the next two years, until late 1947, the top American intelligence officers in Berlin managed to see Clay only three times, and then only to escort visiting officials from Washington. A modest American intelligence base in Berlin established under the defunct OSS

was left to fend for itself, unable to rely on any official interest, with only a small staff and flimsy military cover.

Things were different in the east. The marginal stature of what became the CIA's Berlin outpost contrasted sharply with the authority exercised by the master of Soviet intelligence in East Germany (including East Berlin), Colonel General Ivan Aleksandrovich Serov. As the senior security officer with Marshal Georgi Zhukov's 1st Belorussian Front in the spring of 1945, Serov had led the drive to purge Poland of anti-Soviet elements. In June he became Zhukov's deputy for civil administration in Germany, his cover for espionage. With thousands of operatives and troops at his disposal, many of them tough veterans of secret police operations in the U.S.S.R., Serov set out to create in East Germany the same system of repression, dominated by the secret police, as in Stalin's Soviet Union. Former Nazi concentration camps were converted to Soviet gulags and quickly filled with Germans arrested arbitrarily. With the Red Army marauding its way through German villages, pillaging and raping, fear of the Soviet occupation spread across the eastern zone, driving many to seek refuge in Berlin under the Western powers.

INTEREST IN URANIUM

Despite Clay's initial indifference, the information output from the modest Berlin intelligence base grew substantially from late 1945 to early 1948. Concerned about the anti-Soviet bias of many of its sources, however, particularly in reporting Soviet troops' treatment of German civilians, Berlin Base crosschecked such accounts carefully.

Soviet political maneuvers to separate West German political parties from their branches in the east merited extensive coverage. On the economic front, Berlin Base filed vivid reports on the German factories dismantled and shipped to the Soviet Union for reassembly, the transformation of others into Soviet-controlled companies, and the condition of transportation and power infrastructure.

One particular item of commodity intelligence attracted the attention of CIA local agents, although at first they may not have understood what they had stumbled on. The Soviet Union was showing remarkable interest in East German uranium and various manufactured products to support its use. Berlin Base put its best officers to work on this, and CIA analysts in Washington strongly encouraged the project, reflecting the close attention being paid to the Soviet atomic program.

For Stalin, development of atomic technology was of paramount importance. Exchanges between Soviet Foreign Minister V. M. Molotov and British Foreign Minister Ernest Bevin at the Paris foreign ministers conference in the spring of 1946, suggesting Western concern over Soviet industrial activities in East Germany, must have pushed Stalin to speed up the program. By September, after meeting with Stalin, Serov was working to increase deliveries of uranium to the Soviet Union, assigning 2,500 operations officers from the Ministry of State Security and 1,500 German-language interpreters to oversee East German employees. Considering the ministry's other responsibilities in Germany, this was an enormous commitment of personnel.

By 1947 Soviet officials were using forced labor in the uranium mines to

boost output. When Serov returned to Moscow that year, he was replaced by Colonel General Bogdan Zakharovich Kobulov, an old crony of KGB chief Lavrenti Beria who had been managing the Soviet atomic bomb project under Stalin's personal direction since 1945. Kobulov not only became the senior Ministry of Internal Affairs representative in East Germany but also supervised Soviet industrial properties, including those connected with atomic technology.

The CIA's Berlin Base, the U.S. Army's Counterintelligence Corps, and British intelligence sources in these facilities kept Washington and London informed on Soviet progress. Their general political and economic reports may have generated little interest among the military in Washington, but intelligence on the exploitation of East German uranium to build a Soviet atomic weapon galvanized attention. By the time the London foreign ministers conference convened in November 1947, the American and British governments recognized East Germany's vital role in the Soviet atomic weapons program, a role the Soviets were striving to keep secret but under no circumstances would relinquish.

THE BATTLE BEGINS

Robert Murphy, General Clay's political adviser, and his State Department staff in West Berlin became careful readers of CIA Berlin reporting. Murphy grew alert to intelligence on the political and economic changes in the Soviet zone, including the creation of an East German Interior Administration with responsibility for "factory militias" and a newly organized paramilitary police. A State Department memorandum, noting that the CIA base

in Berlin was its only source, urged that reports on "Russian [factory] dismantling receive immediate dissemination" through the classified preserves of the government. By late 1947 it was clear that the Sovietization of East Germany was proceeding rapidly.

Clay's relatively benign view of the Soviets began to sour, along with those of other Americans who had embarked on postwar operations believing the wartime alliance would continue. Soviet criticism of American policy in Germany grew increasingly strident after the U.S.S.R. sponsored the formation of Cominform for European communist parties in September 1947. Clay's protests against the bitter attacks of Soviet officials, so inconsistent with a cooperative mood, were summarily rejected by Marshal Vasily Sokolovsky, Zhukov's replacement as Soviet military governor.

At least in the realm of propaganda, Clay was willing to strike back. His counteroffensive drew on information supplied by various military government and State Department offices in West Berlin. Berlin Base was asked to declassify some of its reports to fuel the campaign. Curiously, Clay ordered the campaign directed solely at "communist" activities rather than those of the Soviet government—a distinction the Soviet side probably found difficult to fathom.

Beyond what could be used in propaganda, Clay became more receptive to what his Berlin intelligence outpost was reporting, as it grew to have immediate relevance to his policy concerns. One example, pertinent to economic decisions, was information on Soviet reparations from current production that reached Clay just before the opening of the London

foreign ministers conference of November 1947. A subsequent report dated December 22 predicted Soviet pressure on the Western allies to quit West Berlin as part of a harder line Stalin intended to take on Germany. The CIA source for this foretaste of the blockade was the ranking Soviet foreign intelligence officer in East Berlin, General L. A. Malinin.

By the time the blockade began in June 1948, both Clay and Murphy were scrutinizing CIA Berlin reporting on Soviet military, political, and economic activities in East Germany. Despite the fear expressed in the CIA's June 14 Estimate that Berlin's value as an intelligence center was threatened, Clay received reports throughout the summer developed by Berlin Base from sources in the Soviet occupation forces, the East German political leadership, and East German police and paramilitary units, and from German civilians at industrial facilities.

Taken together, these reports produced a picture of the highest policy significance for those making decisions about the American response to the Soviet blockade. They showed that the Soviets had made no preparations to use military force against West Berlin and that the blockade and the Western powers' airlift to overcome it were stirring political unrest across the Soviet zone of Germany. Because that zone depended on supplies from West Germany, the blockade imposed hardships on the East German economy. This the administrators of the Soviet occupation had failed to foresee.

Production and dissemination of this sort of intelligence during the blockade reinforced the estimate that the Russians would not risk war to force the Western allies from Berlin as long as the allies stood

firm. At one point, when the Pentagon recommended evacuation of U.S. government dependents and civilian employees from the city, Clay rejected the move, asserting that it would cause panic. Had he given in, the CIA might have lost its Berlin base, with its civilian officers and support staff of working wives!

BLOWING THE BLOCKADE

At the same time, Soviet intelligence was turning out superb, timely reporting from high-level sources in the British and French governments and even in Clay's entourage. Unlike on the American side, however, such information seems to have had surprisingly little effect on Stalin and Molotov.

Admittedly, the flood of reports must have been difficult to analyze. Soviet sources in the British Foreign Office, such as Maclean and Guy Burgess, emphasized divisions among the Western allies over the proper response to the blockade. They minimized evidence that men like Bevin and Truman were adamant about not abandoning West Berlin. In some cases Soviet intelligence officers trimmed their sails to make their information more palatable to Moscow.

Nothing is more damning when evaluating Soviet intelligence during this period than Moscow's apparent failure to foresee the airlift's capacity for supplying West Berlin's population with food and fuel. Many Soviet intelligence officers in East Berlin in 1948 were actually confident that winter weather would halt the airlift. But surely logistics experts in Soviet military intelligence were consulted on questions of air supply? Then again, maybe not, for Soviet military intelligence was in chaotic disarray at the time.

Spies in Berlin

In 1947 Stalin had approved Molotov's plan to merge the military intelligence service and the Ministry of State Security's foreign intelligence service into a single secret Committee of Information. The state security contingent dominated the new organization; the military hated it. There was very little cooperation between them in the field, particularly in Berlin. When, by early 1949, the military intelligence component reverted to General Staff control, the resounding success of the allied airlift was evident to all.

In the dark days of December 1948, however, success was far from assured, although there was tentative rejoicing in Berlin after municipal elections on December 5 in which the Soviet-backed city slate was trounced. A December 10 Washington CIA memorandum to President Truman was still operating on earlier information. The Soviet blockade had been designed, it noted, "primarily to gain western concessions concerning western Germany and secondarily to force the U.S., the U.K. and France to evacuate Berlin." Now, it seemed, Soviet strategy was "concentrating on the second objective." This conclusion built on earlier Berlin Base reporting on Soviet orders to East German police that treated West Berlin as part of the Soviet zone. Soviet sources, questioned about this presumption, shrugged it off, saying the Western allies would soon evacuate West Berlin anyway. The same memo predicted Soviet efforts to seal off the Western sectors and thus erode the "political and economic position of the western powers in Berlin." But within a fortnight of this dire prediction, Berlin Base was able to report that efforts to tighten the blockade had largely failed.

For all its adept collection and dissemination of on-the-ground intelligence, the CIA had little real insight into the thinking in the Kremlin. Just one month after these December 1948 reports Stalin dropped the first hint that led to negotiations ending the blockade.

STALIN'S GAMBLE

Bonn's new westmark became the sole legal currency in West Berlin in March 1949. April saw record airlift deliveries, and the blockade ended in May. West Germany's burgeoning prosperity, stemming from its June 1948 currency reform, spread to West Berlin.

Stalin had gambled that the blockade would force the Western allies out of the divided city without risk of war. The Soviet zone, with its vital uranium deposits and its strategic military position, could then be isolated from the Western influences that were obstructing East Germany's development along Soviet lines. Failing that, Stalin hoped, the blockade might persuade the allies to delay merger of their zones and completion of the currency reform. He lost on both counts.

In retrospect, one can argue that Stalin's defeat was due in no small part to the intelligence services on each side. On the Soviet side, the security services' reporting from 1945 to 1947 blamed popular resistance to Sovietization on hostile forces nurtured in West Berlin. They never dared cite the real reason for popular discontent in East Germany—repressive Soviet rule. At the same time, whenever Soviet foreign intelligence managed to convey to Moscow the Western allies' determination not to abandon West Berlin, citing well-placed

sources in Western governments, Stalin and Molotov, unwilling to accept the truth, ignored or misinterpreted the report. Unquestionably, the most important failure of Soviet intelligence was its inability to convey the plans for the airlift and properly evaluate the operation's prospects for success.

The American intelligence base in Berlin had none of the special advantages of its Soviet adversary when it was established under the OSS. Yet between 1945 and 1947 it developed sources and networks capable of informing American policymakers on the social, political, and economic changes in the Soviet zone that were transforming East Germany into a Soviet satellite.

Berlin Base's reporting on Soviet exploitation of East German uranium and industrial facilities for Stalin's atomic bomb program showed how unlikely it was that the Soviet Union would risk interference with these projects by submitting to Four Power control of the German economy. Once convinced, the United States and its allies concluded that they must pursue their own interests in reviving western Germany's economy.

As Soviet occupation troops and their East German auxiliaries imposed the blockade, Berlin Base sources provided reassurance that the troops would not use force against West Berlin. As the blockade continued, these sources reported on the political and economic reasons for growing Soviet disenchantment with the blockade.

In 1949, the blockade over and a new era in West German recovery beginning, General Clay, for one, surmounted his early skepticism about the anti-Soviet reports coming to him from the Berlin intelligence base. To the personal staff of the military

governor he added several senior officers from CIA headquarters in Washington and from Berlin Base. The intelligence arm had become integral to the West's Cold War arsenal.🌐

The Boss of Occupied Germany

General Lucius D. Clay

Peter Grose

In March 1948, as the threat of Soviet military siege mounted against the Western outpost of Berlin, the American military governor of Germany, General Lucius D. Clay, summoned his staff to hear Washington's suggestion that American dependents be evacuated for their safety. "If any of you are nervous—" he declared in his quiet Georgia accent, "and I don't want anybody who's nervous about his family around here—you may certainly send them home. But on one condition. You must go with them." All dependents and officers stayed.

By June, as the blockade was imposed and Clay was considering the option of a cargo airlift, he had summoned the elected German mayor of Berlin, the socialist Ernst Reuter. "I want you to know this," he began. "No matter what we may do, the Berliners are going to be short of fuel. They are going to be short of electricity. . . . There are going to be times when they are going to be very cold, and feel very miserable . . . I don't want to go into it unless you understand that fully, unless

you are convinced that the Berliners will take it." Reuter replied, Clay recalled, without hesitation, "General, I can assure you, and I do assure you, that the Berliners will take it."

Clay was an army engineer who had never served a day in combat—a source of great frustration to him throughout a three-decade army career, but thoroughly irrelevant to his job as the American commander in Europe as the Cold War broke out. Charged with putting defeated Germany back into operation, Clay enjoyed unprecedented authority and stature, "the nearest thing to a Roman proconsulship the modern world afforded," in the words of his eventual successor, John J. McCloy. Like a good Roman proconsul, Clay showed himself adept at manipulating the forces back in his own capital as well as those under his command in the field.

After receiving Reuter's assurance, Clay had to convince doubters in Washington, notably John Foster Dulles, the man expected to be named secretary of state, as the Republicans anticipated

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sweeping the Truman administration from office in the forthcoming November 1948 election. Clay invited Dulles to his sparsely furnished bungalow in West Berlin and arranged for the determined mayor to drop by. Clay muttered to Reuter, "This is your problem," and left the two alone. Afterward, he said, "I never heard any more expressions from Dulles that the Berliners wouldn't take it."

Clay ordered the Berlin airlift on his own authority; he never asked Washington for permission or approval, though as the months wore on he had to use all his political skills to extract ever more cargo aircraft from a miserly Pentagon. On a mission to China during the war, he had witnessed the supply lines from India by air over the Himalayas; flights to Berlin over 100 miles of hostile territory seemed a modest undertaking by comparison. The problem was bulk—providing enough essentials to keep the 2.2 million residents of West Berlin alive and active. Even Reuter admitted privately that he did not see how it could be done.

As the tempo of the airlift increased, with American and British cargo planes landing and taking off every few minutes, Clay would drive each day to Tempelhof, the airport of the American sector, not to command anything at that point, just to confirm that the boss was watching. The old army engineer quickly saw that Tempelhof could not handle the necessary volume of traffic, and ordered construction of another airfield in the outlying district of Tegel. When he issued a call for workers, more than 20,000 Berliners, men and women, showed up daily to hack away with picks and shovels, clearing and grading the land. Today Tegel is Berlin's major international airport.

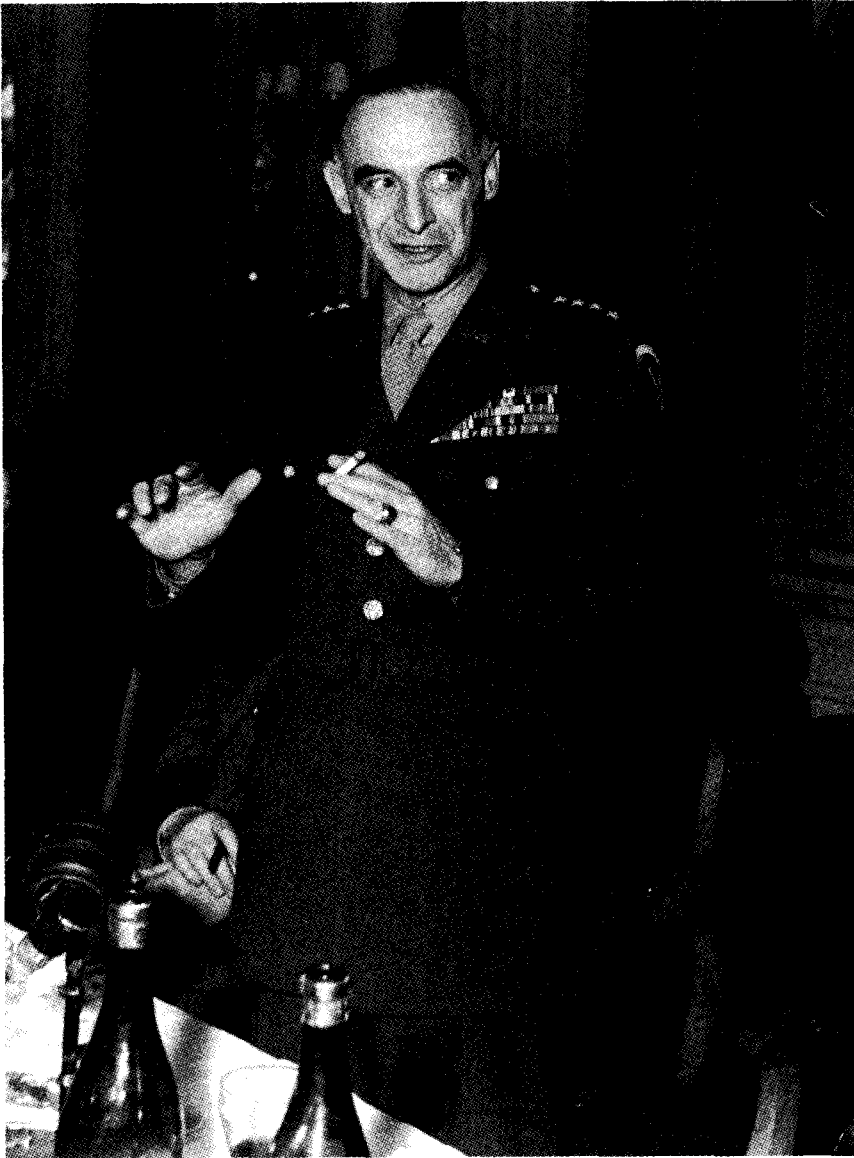
Operation VITTLES, the official air force name for the airlift, offloaded 1,402,644 metric tons of food, coal, and other essential cargo during its 11 months. At one point, an air force lieutenant took up a collection among his crew to buy chocolate bars and packaged candies for parachute drops to the children of Berlin; the fliers called their impromptu venture Operation LITTLE VITTLES, for little people who would grow up to be the burghers of Berlin in the Cold War.

The sum total of Clay's record in the Berlin of 1948 and 1949 led the influential political columnist Walter Lippmann to conclude that he was "one of the strongest American personalities of our time."

THE CLAY HE WAS MADE OF

Lucius DuBignon Clay was a scion of the South, born in Marietta, Georgia, in 1897. His father, Alexander Stephens Clay, was a distinguished U.S. senator (1896-1910), and young Lucius absorbed firsthand knowledge of politics as a congressional page. Graduating from West Point in 1918, he was brevetted to the Army Corps of Engineers, as good a posting as any in a peacetime army in an era of isolationism. In 1937 he served (with Lieutenant Colonel Dwight D. Eisenhower) on the staff of General Douglas MacArthur in the Philippines. From MacArthur he learned the style of an authoritarian commander, but he failed the test of a flair for the dramatic.

With the outbreak of World War II in Europe, Clay was named head of a national civil airport program for wartime preparedness (Berlin's Tegel was not his first). After Pearl Harbor he rose in the upper reaches of the army procurement and supply apparatus, working on the Lend-Lease



BLACK STAR

The chain-smoking proconsul: General Lucius Clay, 1948

program to support America's allies against Nazi Germany and on economic mobilization of the home front. No one could have anticipated that Clay's experience in airport construction would be useful for a military governor of occupied Germany; he was named on a record of toughness in controlling civilian consumption. "General Clay's exceeding high

abilities are better suited to the German situation than our own," commented *The Washington Post* sarcastically, for "that task calls for authoritarianism." *The New York Herald Tribune* warned, "Life will be hard for the German citizen . . . but things may be a little easier for the American."

Clay proved this advance billing inaccurate only a few weeks into his four-year

residence in Germany. "I hope you won't think . . . that I'm getting soft," he wrote his friend McCloy. "I realize the need for stern and spartan treatment. However, retribution now is far greater than realized at home and our planes and artillery have really carried war direct to the homes of the German people."

Clay had no academic or practical knowledge of Germany except as an enemy in war. He never learned to speak German, though he did address every German professional as "Doktor." (Mayor Reuter happened to speak comfortable English, which made their relationship particularly congenial.)

The military governor arrived in Berlin in May 1945 expecting to preside, in brusque and arbitrary manner, over a defeated but working civil administration. "Within a week it was clear to me that this was just a lot of damn foolishness," he said long afterward in remarkably candid oral histories for his biographer, the Canadian political scientist Jean Edward Smith. There was no functioning civil authority to meet the daily needs of the population. "We couldn't let starvation and mass deaths take place, and we were responsible," said Clay. "I also realized that the cost to the United States was going to be terrific unless we could get this thing moving again."

Clay's managerial style, honed on Washington experience, was to confront major issues, not head on, but in a series of small decisions that collectively would serve his vision. He avoided passing judgment on the basis of broad-brush impressions, but went into the details of each situation. He was adamant in pressing the American policy of de-Nazification, but the acts of individual

military officers often gave him pause. What would any military man have done under the circumstances? he would ask, as in the case of Admiral Karl Doenitz, charged as a war criminal for his submarine warfare. "I'm not too sure that, when we talk about that type and kind of use of submarines," he said, "and at the same time we lay down nuclear bombs on Nagasaki and Hiroshima, that you aren't making a distinction that won't stand up in the light of history."

Among the most controversial of Clay's countless decisions was the removal to the United States of the priceless collection of Old Masters that the American army discovered in the last days of the war in a salt mine in Thuringia, hidden for safekeeping. Both the Kaiser Friedrich Museum of Berlin, which owned the paintings, and Thuringia were in areas to be controlled by the Soviet occupation, and Clay was concerned that the Soviets would seize the art works as reparations. Yet in shipping them to America, Clay laid the United States open to the same charges from angry Germans. Clay declared that he was merely protecting the art, and he spent much political capital at home insisting that the collection be returned intact as soon as settled conditions were restored, as in fact it was in May 1948.

Clay was disturbed in his first months by the free-living, frontier mood among American officers of the occupation. German women were eager to connect with Americans, with their bounty of material luxuries, and lonely soldiers were only too ready to accept. But instead of indulging in moralistic condemnation or righteous orders to desist, Clay invited stateside wives and dependents to join

The Boss of Occupied Germany

their men in Germany, confident that this administrative measure would “give a stability” to the occupation—as it did, without a direct word being said. (He conceded, however, that “some people in Germany, I think, rather liked the life that was going on.”)

Ever concerned about morale among the troops, the military governor would avoid headquarters on inspection tours, instead striding into the barracks of companies and platoons, inspecting mess halls and latrines, asking enlisted men about their work and living conditions and following up on their complaints—this in an era when another American commander in Europe saw fit at one point summarily to confine all men to barracks until morale improved.

HIS PLACE IN HISTORY

Paradoxically, the American who came to symbolize bellicose resistance to Soviet expansionism in the Cold War started from political friendships on the left wing of the New Deal. One of Clay’s best friends in Washington was Harry Hopkins, the Roosevelt intimate who worked for close ties with Moscow; another was James F. Byrnes, Truman’s first chosen secretary of state, who tried to sustain cooperation with the Soviet Union long after this Rooseveltian policy had lost favor with the new president. (Clay encouraged Byrnes’ famous speech in Stuttgart in September 1946, which set German democracy and economic development on an upward course.) On his way to Berlin Clay had said that working cooperation among the four occupying powers would have a “happy and definite effect upon the whole question of whether communism and democracy

could find a way to get along together in the same world.” Throughout 1946 and into 1947 Clay raised not a single complaint about Soviet behavior in the Four Power occupation administration.

The fact is that Clay, despite his military and authoritarian manner, was by heritage and nature a downright civil libertarian. Old Senator Clay had been one of the rare Southern liberals at the turn of the century (he had chaired the Senate’s first Select Committee on Woman Suffrage), and his son grew up far more dedicated to civilian values than many of his comrades in uniform. Clay moved quickly to build democratic political life among Germans—too quickly, in the view of many American civilians at his side. Later, he said he “enjoyed teasing . . . liberal professors of political science trying to restrain hard-bitten soldiers from restoring the ballot to a people who had been deprived of their right to vote.” He reined in the army’s Criminal Investigation Division from spying on American officers. For all his distaste for the carousing of the early occupation, he said, “It was no one’s business who visited their quarters or who spent the night with them. I’ve always believed that the Army made such demands on one’s privacy that whatever there was had to be jealously protected.”

Clay tried to cast the American military government as a role model for the new democratic Germany that he hoped to inspire. Periodically he would review policy dictates with his appointed German state ministers assembled in the formal Länderrat (Council of States). “The General’s speeches were concerned with subjects that were frequently unpleasant but always vital,” recalled Heinz Guradze,

one of the German officials in regular attendance. "Delivered for the most part without notes in an unobtrusive but soldierly and distinct voice, concise and to the point, occasionally spiced with a sprinkling of humor, Clay minced no words without being offensive."

Most startling to wary Germans in the first months was Clay's determination to nurture and defend a free press, even when their commentators criticized him or his German ministers. He held regular open news conferences. When, after a few sessions of listening politely, a German reporter presumed to put a question to the American military governor, Clay's reply was as courteous and informative as his replies to the American newsmen.

In the annals of the Cold War as it raged in later years, Clay's reputation may have suffered somewhat as mainstream historians found it difficult to place him in the anticommunist pantheon. Ironically, the judgment for which he is most often cited was a misunderstanding. Clay sent a telegram to Washington on March 5, 1948, declaring, "Within the last few weeks I have felt a subtle change in Soviet attitude which I cannot define but which now gives me a feeling that [war] may come with dramatic suddenness." The British historian Alan Bullock called this "the most overworked quotation in the literature of the Cold War." Though classified top secret, the alarm was leaked to the press and galvanized hard-liners in Washington.

To his biographer, Clay explained what had happened. A few days before, a senior army staff officer had visited Berlin and told Clay that the Pentagon was meeting resistance in Congress to various military preparedness measures,

including restitution of the draft. Could Clay perhaps send a strong message that could be used in congressional testimony? Clay obliged his old colleague, not bothering to consult his intelligence staff before sending the telegram; indeed, the same day he had sent other messages assuring Washington of the security of the American position in Berlin. He promptly complained that the single cable was lifted out of context and did not represent his actual assessment. But it was too late to dull the impact. Clay's sensitivity to the workings of Washington failed him in this instance; if, as he later claimed, he did not expect his telegram to attract much attention, he should have known better.

During his years in Berlin, Clay quarreled endlessly with Cold War giants like George F. Kennan and Dean Acheson, even with the revered George C. Marshall. Internal army politics were never absent from his life, as old military colleagues could not overcome their irritation that an officer who had never served in combat should rise to the rank of four-star general. *The New York Times* described Clay as a "stormy petrel." He was constantly submitting his resignation over policy decisions that he did not like or that he thought intruded on his authority as the responsible American on the spot. Hurried apologies and suitable compromises invariably followed.

Clay and his wife sustained no social life in Berlin, even before the blockade; except for polite cups of coffee after the Länderrat meetings, he avoided any social contact with German officials. At his desk for long hours every day (his personal staff had to stagger their shifts), he chain-smoked cigarettes and consumed quarts of black coffee. He lost 30 pounds in the year of the airlift.

The Boss of Occupied Germany

During the night of May 11-12, 1949, as Clay learned that trucks and trains were again crossing East Germany into Berlin—in effect that the blockade had been lifted—he asked to be relieved as military governor of Germany. This time he meant it. Somewhat earlier, Washington had tentatively asked if he would be available to replace MacArthur as head of the Japanese occupation once the senior general retired, and Clay, though flattered, had pleaded fatigue in declining.

On May 14, his last full day in Berlin, Clay paid the personal tribute of calling on Ernst Reuter at the City Hall. This gesture from the all-powerful military governor to the elected mayor of Berlin electrified the German public. Crowds of cheering citizens lined the road to “his” airport at Tegel as Clay departed. Arriving home, he was honored with a ticker tape parade in lower Manhattan and addressed both houses of Congress.

Retiring from the army, Clay became a corporate executive with the Continental Can Company and then an investment banker at Lehman Brothers. President John F. Kennedy dispatched him back to Berlin on temporary assignment during the crisis of 1961, a signal of American determination not lost on Berlin or Moscow. By 1973 Clay was suffering from emphysema. He died on Cape Cod on April 17, 1978.

“Maybe I’m biased,” Clay told his biographer, “but I think the American occupation of Germany was appreciated more by the Germans than by the Americans.” At the foot of his West Point grave, the citizens of Berlin were allowed to place a small marker, flush with the earth. It reads, “Wir danken dem Bewahrer unserer Freiheit”

(“We thank the defender of our freedom”). Long before, Heinz Guradze, the German official who watched Clay through all the controlled tension of meetings with his German ministers, had written of him, “It was through Clay’s appearances at the Länderrat that the American government presented itself at its best to the representatives of the German people.”²²

Germany Moves On

Laying *Angst* to Rest

Christoph Bertram

Berlin is memories, for Germans and everyone else. The transfer of the federal government and parliament from Bonn to Berlin in the fall of 1999 will bring memories alive; the question is whether it will also be a catalyst for changing Germany's political ways.

Many, not all, in Germany's west are still apprehensive about transferring the capital from the little town on the Rhine that has housed the republic's federal institutions for half a century, longer than the Wilhelmine Reich lasted, not to speak of Weimar's turbulent 15 years or Hitler's terrible 12. In Germany's rocky history, Bonn has stood for stability, prosperity, democracy, and integration into the West and into Europe, for modest German power and minor international responsibility. Many, not all, in Germany's east, once the communist-ruled German Democratic Republic (GDR), feel that unification of the nation, as distinct from that of the state, is coming closer to completion with the move of the capital into their midst. And some, not all, abroad wonder if Germany is now finally

becoming more German—or at least what they thought of as German before the era of Bonn.

Berlin encourages multiple historical associations. Even post-World War II Berlin, the only one most Germans of today have known, has produced a host of memories, perhaps more than any other city in Europe. It was here that Hitler's Reich ended in ruins; the Church of Remembrance in the center of what was West Berlin has been maintained in that depressing state as a warning to future generations. It was here that the West under America's leadership first made Stalin blink and forced him to lift the blockade he had imposed on the western sectors, here that the division of Europe was at its most obscene, splitting a big and once powerful city down the middle with a concrete wall topped by barbed wire. Here, in 1953, the first popular uprising in the Soviets' Eastern European empire took place—and was clobbered by Soviet tanks. And here, through the blatant artificiality of a Western bridgehead in communist territory, the idea of

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German unification remained alive; without divided Berlin, it might well have died.

Memories and symbols are very different things. The former illuminate the past, the latter seem to promise a pointer to the future. Those closest to events as they happen mostly remember. Those further away are more likely to cast memories into symbols. All the postwar symbols of Berlin belong to an era that is forever history: the Soviet empire has gone the way of all empires, communism as a state ideology is dead. But will pre-1945 memories now well up, released by the earth-moving machines exposing the debris of the past as they ready the city for its new, capital role?

JACKBOOT AND BEACON

What one thinks of Berlin and the imminent return of the federal parliament and government to the former capital depends on, at first glance, which part of Germany's checkered past one contemplates. No other German city so symbolizes the abuse of German power, the weakness of pre-1933 democracy, and the destruction that Germany—through its internal instability, in the absence of a functioning European order—brought upon the old continent twice in the twentieth century.

At the same time, no other German city was such a beacon of freedom during the Cold War; no other symbolized more vividly the unnatural division of Europe; no other kept the idea of one Germany and one Europe alive, finally to triumph in 1989.

Germans, too, have wavered between these two images of Berlin. During the four decades of the Cold War, official

Bonn never tired of declaring itself merely the stand-in for Berlin as the country's capital. Yet when the Wall toppled and unification unexpectedly became real, the decision to live up to those pledges and move the federal institutions to Berlin was agonizing. The Bundestag, parliament's lower house, took the plunge for Berlin only after a long, soul-searching debate in June 1991, and by a slender margin: 337 votes for, 320 against.

Since then, as is usual in democracies after the votes are cast, the controversy has dwindled. In little more than a year, the provisional capital of Bonn will be history and the historic capital Berlin reality. What seemed one of those momentous decisions that determine the future of a nation has been pushed into the background by the practical requirements of the move—buildings, logistics, and money. Civil servants, government departments, office files, and machinery must be transported and transplanted both into and out of Berlin. Major departments will remain on the Rhine, and some institutions now in Berlin, such as the federal social security agency and the Antitrust Board, will be settled elsewhere. The net influx of public employees will be relatively modest, consisting mostly of the parliamentary staff. During the 1991 debate, a senior legislator estimated the cost of the move as equivalent to luxury hotel accommodations for 500 civil servants whenever parliament was in session until the year 2400; cooler heads now calculate the cost as less than \$13 billion.

Though almost drowned out by the noise of turning a disused capital into a working modern one, the qualms linger. Will the move imply a change of outlook along with the change of place? My guess



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A stately symbol of empire: The Brandenburg Gate, c. 1910

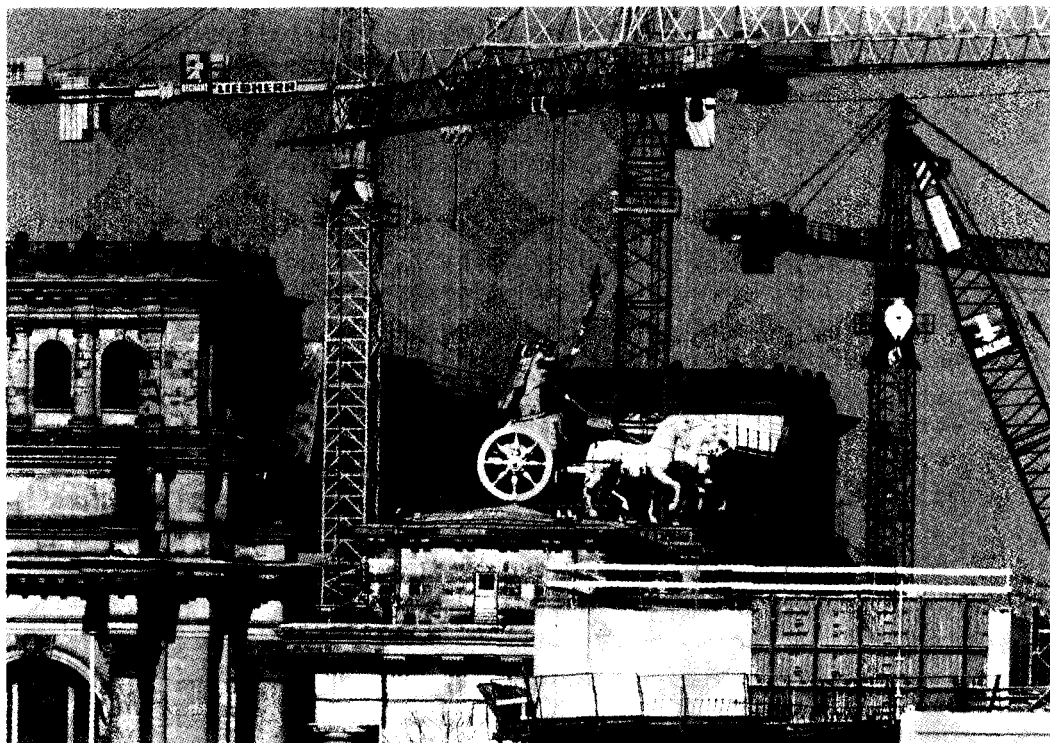
is that the new Berlin will never be the old Berlin. The traditions created by Bonn, as well as the open air of modern government and society, will chase away the ghosts. Berlin's reinstatement as Germany's capital will have a major, probably positive, impact on the Federal Republic.

There is no better list of the questions raised by the transfer than those from the 1991 Bundestag debate, one of many fine hours of the Bonn parliament. Many of the questions have since found reassuring answers, but pondering them anew provides a glimpse of the kind of country Germany has become since the walls came down in Europe and unification fell into its lap almost a decade ago.

CHECKED AND BALANCED

Will the capital of Berlin hollow out Germany's federal structure, reintroduced

in 1949 as a check on German power, by imposing a new centralism? Not likely, although many recognize that some aspects of the relationship between the *Länder* (the regional states) and the federation should be redefined, in particular the mechanism by which the opposition in the Bundestag can mobilize its support in the *Länder* to block policies approved by the directly elected federal parliament. But the federal structure is so ingrained in modern Germany and so obviously generates the allegiance of its citizens that no central government, wherever located, could eradicate it. After all, Germany was a collection of states for centuries before it became a modern nation-state. When communist East Germany ceased to exist, the new state structure emerged through the rebirth of the regional entities—Saxony, Thuringia, Brandenburg, and such—that



GERMAN INFORMATION CENTER

A facelift for the future: The Brandenburg Gate, 1997

had been wiped off the map 60 years earlier. Neither the Nazis nor the communists had succeeded in killing the ancient regional affinities.

Moreover, after World War II the nongovernmental institutions that had underpinned Berlin's former national dominance—the media, banks, and other major industries—relegated the truncated and isolated city to the provinces and created new centers. The media will not return from Hamburg and Munich to Berlin, the banks will stay in their San Gimignano-style skyscrapers in Frankfurt, high-tech industries will continue to reside in Bavaria, and proud cultural citadels such as Düsseldorf and Munich will not defer to Berlin. Berlin's Germany will remain a strongly federal republic, with power at the center checked and balanced by the states of the federation.

HOME IS WHERE THE HEAD IS

Will moving the capital 350 miles eastward weaken Germany's Western orientation or even replace it with an Eastern outlook? The mere change in location is unlikely to have that effect. It is true that Bonn lies closer to Paris than to Warsaw, while with Berlin it is the other way around. Yet if physical distance were commensurate with political distance, how could one account for the pro-Western attitudes of a Poland or an Estonia?

Attachment to the West will not be jeopardized by any eastward temptations. Today's Germans, in marked contrast to the rhetoric of some of their politicians and the suspicions of some of their western neighbors, do not feel particularly close to Eastern and Central Europe, an attitude underpinned by eastern Germans' reservations about their former comrades in

communism. There are markets there to be served, and production facilities to be exploited because they may be cheaper to operate than those at home. But the Germans have moved westward for half a century, and all of Eastern Europe has done so since liberation from Soviet domination. When it comes to including eastern neighbors in the European Union, the German public is no less reluctant than that of other EU members to sacrifice Brussels subsidies for the sake of enlargement. The notion that Germany would opt for a special zone of influence in Eastern Europe belongs to a bygone era. Berlin as the capital will not breathe new life into it.

Will the Berlin Republic be more accommodating toward Russia? If Germans view Russia with a puzzled mixture of fear and sympathy, this was no less true in the Bonn era. But for the first time in 200 years, Russia is a marginal power in Europe, drifting alone as the rest of Europe drifts westward. While Germans hope that Russia's democratic structures and economy will stabilize, theirs is more the attitude of an interested onlooker than a committed partner. Because of the tough lessons Germany learned this century and also because of Russia's reduced significance, the old debilitating German temptation to seek a place between East and West is now devoid of attraction. It is difficult to imagine that changing, even if Russia ever regains stature in Europe.

As for Germany's Western and European enthusiasm, it has waned somewhat. The disappearance of the Cold War's disciplining effect is mostly to blame. An additional factor, however, is the 16 million East Germans that unification has added to the 60 million West Germans. For those

from the east, unification meant the return to a fatherland that no longer existed except in their minds—the traditional nation-state that West Germans had increasingly moved away from in their integration into Europe. Everywhere else in newly democratic Eastern Europe, nationalism made cohesion possible for societies amid the turbulence of political, economic, and social transition. The East Germans were the only ones deprived of this assistance. Perhaps more than the east-west gap in material well-being, the disappointment of not coming home to the nation they had imagined helps explain the mental distance Germans from the east still feel vis-à-vis Germans from the west. Their more traditional attitudes toward the nation are bound to reinforce a trend toward a more self-contained national consciousness that has been under way elsewhere in Western Europe.

Post-national European integration, it is true, continues to proceed—witness the dramatic step of monetary union in which two of the proudest symbols of the Bonn Republic, the deutsche mark and its highly respected guardian, the Bundesbank, will be absorbed within the common European currency and its management. But there is a growing sense that this may well be the last of the visionary initiatives of Jean Monnet that propelled the extraordinary experiment of pooling old and sovereign nations into what has become the European Union. In many respects European integration has become routine and bureaucratized. But if in the past Europe meant enhanced freedom to travel to other countries, in the present climate of worries over jobs, immigration, and organized crime, the freedom of others to function in one's own country

seems a high price to pay. These concerns may well be heightened, initially at least, by the introduction of a European currency that is still unpopular. Euroskepticism is by no means limited to the Federal Republic; if it is more perceptible there, it is because post-nationalism has been more pronounced. All over Europe the nation-state is coming into its own again as the primary institution for the protection of citizens and as the seat of democratic legitimacy.

For this evolving mood, cozy and petit-bourgeois Bonn provided little symbolic force; Berlin with its grand buildings and monuments will be more accommodating. But is that deplorable? After all, this city combines symbols of power and defeat, suppression and freedom—balancing, not inciting, nationalism. Indeed, the move may help Germans come to terms with their national existence. That, after all, is what the capitals of nations are supposed to do.

THE SELFISH GIANT?

Will the move to Berlin, both eastward and back in time, produce a Germany more assertive in the affairs of the continent and the world? The question can be rephrased positively: Will united Germany be more willing to assume the responsibilities for European and international order that any major power must learn to shoulder? Or negatively: Will it throw its considerable weight around, no longer content being European Germany but striving to create a German Europe?

Whichever way the question is put, the answer will not be unconditional. Irrespective of where their capital lies, Germans, like people in all rich countries,

are and will remain inward-looking. The notion that their country is one of today's major powers is still anathema to most. If they have come around to supporting the participation of German soldiers in international peacekeeping from Somalia to Bosnia, it is because German forces were in each case part of an international effort. It would be very different if their government were to take the initiative for joint military operations or, worse still, act on its own. When called on to assume, for all to see, greater international responsibilities, Germans prefer to retreat into the ranks of the EU. Sometimes it even seems that the ineffectiveness of Europe's Common Foreign and Security Policy is not entirely unwelcome since it shields Germany from the risks of both international exposure and involvement.

This reticence is incompatible in the long run, however, with the objective of maintaining a stable Europe, a viable Atlantic alliance, and a resilient international system. In the absence of a Europe willing and able to act, Germany, as the continent's largest country and economy, will have to fill at least some of the void. The days are long gone when Germany could be called (though its citizens did not really mind) "an economic giant and a political dwarf." The political diminution was never fully accurate. Today, with international affairs increasingly, if disturbingly, determined by economic factors, the distinction between political power and economic power is even less justified.

There is an additional, indeed the central, reason the German giant can no longer present his impressive export surpluses as a sufficient token of international commitment. In the post-superpower world, regional states loom larger and must

invest themselves in the maintenance of international order if that order is to be upheld—first and foremost those whose own welfare depends on a functioning international system, as does that of Germany in the middle of Europe.

While many political leaders have known this, the German public at large has remained cautious. In contrast to European neighbors more apprehensive about German power, successive U.S. administrations have tried to coax Germany into accepting a greater international role, confident that this would not undermine American influence. President Bush called in 1989 for a “partnership in leadership” (almost impossible to translate into German, not least because the word “leader”—*Führer*—is forever discredited). Continuing up through the current drafts of a new NATO Strategic Concept, which would formalize the alliance’s ad hoc involvement in worldwide crisis management, Washington has rarely let up in its effort to promote greater international engagement by Germany. The country whose freedom and unity owes much to past U.S. leadership has been allocated a pivotal role in U.S. post-Cold War strategy.

Germans are unlikely to accept the junior role the United States is holding out to them. But they must understand that power begets responsibility. Perhaps surprisingly, the Berlin Republic will be even less inclined to undertake this mental reorientation than was the republic of Bonn.

The explanation, in this matter, lies in geography. Berlin is in the eastern part of the country, and here Germany’s domestic problems are paramount. Unemployment remains above 20 percent despite the German economy’s impressive sustained

growth. Poverty and unemployment breed resentment of immigrants and encourage extreme right-wing grouplets to sprout. Here the successor party to that of the communists who ruled the so-called German Democratic Republic has its only strongholds. Eastern Germany and its problems will weigh on the republic for another decade, demanding priority attention and providing arguments for all who favor a low international profile. In Bonn, Germany’s politicians could recognize the shortsightedness of such arguments. In Berlin, they may well be overcome by them.

GERMANY MEETS HERE

Finally, will Berlin offer united Germany what Bonn once offered West Germans—a new sense of belonging, a common identity in which all citizens can recognize themselves?

That has been the hope of many in the east and the reason for many in the west to support the move of capital. Berlin, after all, was also part of the West during the years of division, even if many resented the privileges communist leaders were heaping on the eastern sector, “capital of the GDR.”

That hope is not unfounded, although the discrepancies in living standards and employment that still separate eastern from western Germany will not narrow substantially once the main federal institutions take up formal residence in Berlin. Compared with the immense infrastructure investments undertaken in eastern Germany since unification, those required to turn Berlin into a modern seat of government remain modest. New investment for the eastern regions will not now flow more readily, nor will jobs

Germany Moves On

be created more rapidly. But the sense of grievance still simmering in the east could be attenuated by the move. If in today's nightly news the venues are those of Bonn and the accents those of westerners, tomorrow the sights and sounds will be more familiar to people in the east. Bonn generated in West Germans, admittedly only gradually, a sense of quiet patriotic appreciation. Berlin may, in less time, provide eastern Germans with a sense of national pride. That may be small comfort compared with the enormous problems that remain, but it should not be discounted.

The fears over the departure from Bonn voiced in the memorable Bundestag debate seven years ago seem to have less foundation than the hopes roused by the move. Berlin will not loosen the Federal Republic's links to Western Europe and the West, nor cause it to drift eastward and closer to Russia. It will encourage neither a more centralized nor a more assertive Germany. If the move from the Rhine to the Spree has any short-term impact on the country's international involvement, it will promote a more introspective, not a more assertive, Germany. And while it may help heal the wounds of 50 years of national division, that contribution will be fairly modest and indirect.

These findings are surprising only at first glance. The location of the capital was in imperial times a major attribute of power. In the centuries when distance obstructed communication, placing all the organs of the state in one center was a key condition for the state's authority. None of Europe's nation-states would have emerged without a powerful capital.

Today, however, communication and state authority no longer depend on loca-

tion. Power no longer needs all its instruments concentrated in one place; power has become, in this sense, distributed. Thus the political fallout of making Berlin the capital will be minor, even negligible. Politics no longer requires a capital. Where governments reside or parliaments sit makes little or no difference. That major government departments will remain in Bonn after the move to Berlin underlines this modern truth.

But if politics does not need a capital, a nation's political culture still does, requiring not just virtual but physical contact between thinkers and doers, between the talking and the governing classes. Perhaps when we are all wired up that need will be met by the Internet. Today, and probably for a long time to come, it still helps to have a capital that is a great meeting place which can attract the critical mass to launch the chain reaction of national debate.

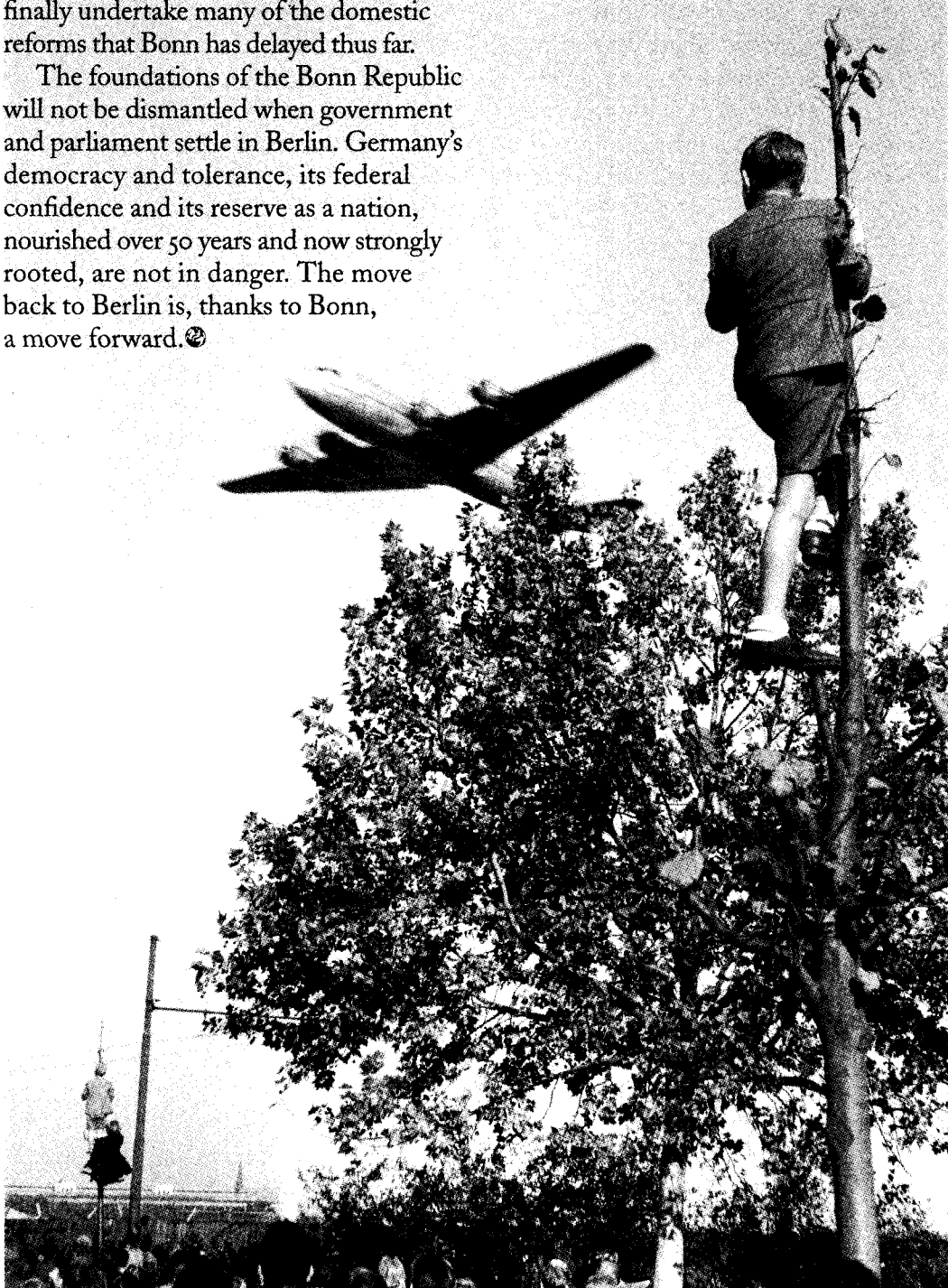
It is therefore in the realm of political culture, not political power, that the impact of Berlin will be felt. Its attraction is already manifest. Ambitious young people from throughout the country are flocking to the old-new capital. Artists and writers congregate; journalists compete to be posted there. The bureaucrats and the politicians mostly prefer to stay where they are and dread the disruption of leaving Bonn, but Germany's chattering and performing classes have already embraced Berlin.

The coming of the government is part of the pull, but, more important, united Berlin has acquired something Bonn could never hope to achieve: the excitement of a big, bustling, bewildering, historic city. That Berlin will soon be fully installed as the nation's political capital is only the icing on the cake.

Unlike placid Bonn, Berlin will stimulate the national debate, contrast restless-

ness and impatience with the stilted formulas politicians readily produce. Perhaps as a first contribution it can help the republic finally undertake many of the domestic reforms that Bonn has delayed thus far.

The foundations of the Bonn Republic will not be dismantled when government and parliament settle in Berlin. Germany's democracy and tolerance, its federal confidence and its reserve as a nation, nourished over 50 years and now strongly rooted, are not in danger. The move back to Berlin is, thanks to Bonn, a move forward. ☺



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